# United States Court of Appeals for the Second Circuit



**APPENDIX** 

# 75-7538

# United States Court of Appeals

For the Second Circuit

B

#### ALAN L. SPIELMAN

Plaintiff-Appellant,

against

GENERAL HOST CORPORATION, RICHARD C. PISTELL, HARRIS J. ASHTON, C. WHITCOMB ALDEN, JR., JOSEPH P. BINNS, WILLIAM F. DOWNEY, WESTON E. HAMILTON, WILLIAM P. HOWE, JR., J. ELROY McCAW, EDWIN C. McDONALD, LESLIE W. SCOTT, ALLEN & COMPANY, INCORPORATED, ALLEN & COMPANY, KLEINER, BELL & COMPANY, INCORPORATED, SEYMOUR M. LAZAR, EUGENE V. KLEIN, ALLEN MANUS, CECIL MANUS, and GREAT AMERICAN INSURANCE COMPANY,

Defendants

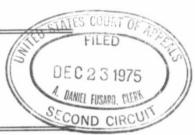
GENERAL HOST CORPORATION, RICHARD C. PISTELL, HARRIS J. ASHTON, C. WHITCOMB ALDEN, JR., JOSEPH P. BINNS, WESTON E. HAMILTON, LESLIE W. SCOTT, ALLEN & COMPANY, INCORPORATED, and ALI EN & COMPANY,

Defendants-Appellees.

On Appeal from the United States District Court for the Southern District of New York

#### JOINT APPENDIX

VOLUME IV OF FOUR VOLUMES (Pages JA1070a to JA1449)



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JA1070~

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DEFENDANTS' EXHIBIT NO. A-21:

SULLIVAN & CROMWELL MEMO, DATED JANUARY 2, 1969

January 2, 1969

MEMORANDUM FOR THE SECURITIES AND EXCHANGE COMMISSION

RE: Armour and Company - General Host Corporation

General Host Corporation cleared with the SEC
Staff and mailed to stockholders on December 27, 1968 a
proxy statement related to a special meeting of stockholders
to be held on January 20, 1969 for the purpose of increasing
the authorized common stock of General Host and authorizing
an exchange offer of 7% subordinated debentures and warrants
to purchase common stock to be made to the common stockholders
of Armour. On December 30, 1968, General Host filed with the
Commission a registration statement (Form S-1) covering the
exchange offer. In its essential parts the prospectus comprising part of such registration statement includes verbatim
the material in the proxy statement, and references herein are
to the page numbers in the proxy statement, but are intended
to refer equally to the same material in the registration
statement.

holders are the targets in the exchange offer. We are writing this memorandum in order that the Staff may consider carefully why we consider the proxy statement and the registration statement to be misleading, both to the stockholders of General Host and to the offeree Armour stockholders.

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out that the Department of Justice has taken the position that acquisition of control of Armour by General Host would violate the 1920 Packers Consent Decree, that General Host is discussing this matter with the Department, and that it may become necessary or desirable for General Host to modify, dispose of or agree to dispose of a substantial part of its business. The proxy statement goes on to say that General Host might be required to dispose of its food production and processing operations which constituted 73% of sales in the first 40 weeks of 1968 and now constitute 32% of total assets. Also, it is indicated that General Host may have to modify the product line carried in its convenience stores.

We consider that the foregoing is a gross understatement, since the Packers Consent Decree (a copy of which is attached) broadly prohibits Armour, and presumably a controlling person of Armour, for otherwise the Decree is easily circumvented by formation of a holding company, from retailing meat products, adairy products and fresh produce. It is impossible to conceive of a retail food operation not carrying these items. Therefore, if the Decree is to be enforced, General Host would have to completely cease its convenience store business, as well as its food production and processing operations. Also, General Host would have to cease completely its business of operating restaurants in

the National Parks, which is an essential part of its (55called Tourism Business (see page 21 of the proxy statement). It follows from this, we believe, that for General Host to legally acquire control of or combine with Armour would require General Host first to desist from virtually all of its present business. If this is so, it is meaningless and misleading to present combined figures of these two companies in a proxy statement or a prospectus, since the past operations of General Host have no significance for the purpose of evaluating such a combination. This makes all of the combined figures in the proxy statement, both book value and earnings, beside the point. Assuming the Consent Decree is enforced, we believe that the only business which would be left upon combining these companies would be the business in which Armour is now engaged. General Host's other businesses and assets (which have a book value of some \$62 million, not counting its investment of some \$61 million in Armour stock, and hopefully could be made to realize that much on a forced sale) might be used to reduce its indebtedness which apparently is now in the order of (at least) \$87 million. If this were done and the exchange offer were made, and General Host obtained control of Armour, the effect of the whole transaction would be simply to saddle the Armour operation with tremendous indebtedness whi . Armour estimates would approximate \$574 million, as compared with Armour's present indebtedness of

\$141 million, and to shift the equity ownership of Armour, so far as its public stockholders are concerned, from such stockholders to the stockholders of General Host, with the Armour stockholders, having the dubious right through exercise of their warrants, to buy back for cash part but not all of their equity interest in the surviving controlling corporate entity at a price in excess of current market.

Even if the present material in the proxy statement is permitted to remain, we suggest that the contribution of the food production and processing operations to earnings is equally as important as its shares of sales and asset value, and that the contributions and shares of the convenience stores to these items should also be set forth. Otherwise, in the context of divestiture by General Host, the pro forma combined income and book value figures are completely irrelevant.

In view of the foregoing, it may well be that no proxy statement or prospectus of General Host can be accurate and not misleading before such time as the Department of Justice decides on what is appropriate under the Packers Consent Decree.

- that counsel has expressed no opinion with respect to the tax consequences to Armour stockholders on any original discount on the debentures. We would think it essential that Armour stockholders be advised that to the extent any proceeds from the sale or payment of the debentures exceeded their tax basis for the debentures, they might be subject to ordinary income tax, rather than capital gain, if such proceeds were more than the face amount of the debentures less original issue discount.
- Host reserves the right to acquire Armour shares subsequent to the exchange offer by purchases, by further exchanges, or "by merger", and that approval of the exchange offer shall be deemed to constitute approval of any such transaction.

  Query how the stockholders of General Host can approve a merger by voting in favor of the proposals at the January 20 stockholders' meeting. In any event, upon a merger, there would be appraisal rights, and there is no indication in the proxy statement of this fact or where the funds would come from to satisfy such rights, particularly if they should be exercised by a substantial number of stockholders. In the absence of a combination of the companies through a merger, sale of assets, or some other such means, it is impossible to see how General Host, even if successful in naming more

public stockholder of Armour remained, could use the assets or income or cash flow of Armour to service General Host's indebtedness. Please bear in mind that Armour has a 17-man classified Board of Directors, divided into three classes with three-year terms and cumulative voting, and that accordingly General Host cannot elect a majority of Armour's directors until at least the second annual meeting after completion of the exchange offer, and perhaps not until after the third annual meeting.

We would think that in a situation of this kind a proxy statement or prospectus should show rather explicitly the projected source of funds to service new indebtedness, particularly where, on a 40% acquisition basis, such indebtedness will constitute 80% of pro forma capitalization, and an even higher percentage as General Host's interest in Armour increases.

4. We question the adequacy of the bold face disclosure on page 8 that the allocation of the estimated excess of purchase price over net assets of Armour to depreciable or amortizable assets "could have a material effect on future earnings of General Host Corporation". Indeed the effect might be so great as to cut in two or even further reduce the pro forma per share income before extraordinary items, assuming General Host acquired over 50% of Armour. Even the figures given in the bold face paragraph disregard

\$8 million (which is 25% of its current net worth) in expenses in making the exchange offer (that is \$1.40 per share for Dealers Managers and Soliciting Dealers on roughly 5,000,000 shares plus \$900,000).

Also, we consider that the failure to include on page 8 any explanation of the adjustments made in moving from Income (Loss) Before Extraordinary Items, Extraordinary Items, and Pro Forma Net Income (Loss) to the Pro Forma Per Share figures is a material omission. We could not understand these figures at all without consulting with professional accountants, particularly the change from negative loss figures in the 40% column to positive per share figures.

value on page 5 is, we believe, misleadi z. It purports to show an increase in book value, solely as a result of the arbitrary value assigned to the warrants issued in the exchange. The amount of intangible assets included in the tabulated figures is given in a footnote, but what is missing is a column of declining figures of tangible book value to a negative figure of about \$16 at 100% ownership, which would result from the exchange offer. These figures would appear to be far more significant than the figures now in the tabulation. At the least they should be set alongside the figures now included.

If General Host's outstanding convertible notes should not be converted, and there is no assurance that they

will be, the book value of its common stock is \$15.10 per share, not \$20.02 as shown in the table on page 5. A column is needed to show book value on various levels of conversion of the convertible notes.

of the warrants the precise amount of estimated original issue discount for the debentures (\$61 million). There is no basis in law, accounting or economics for this kind of arbitrary assignment of values and we believe that at the least the basis, or lack thereof, for such assignment of values should be stated.

we would think that the pro forma combined statement of income per share should in some way take account of the fact that the exercise of the warrants would result in tripling the outstanding General Host shares, assuming conversion of General Host's convertible notes. It is unrealistic and misleading to show a pro forma per share net income figure of 38£. assuming 100% acceptance of the exchange offer, without some indication of what this figure would be after exercise of the 8,865,000 warrants, use of the proceeds to reduce indebtedness and division of the adjusted earnings by the new number of outstanding shares, namely 12,834,748.

major dilution of earnings per share, and it is misleading not so to indicate in the pro forms combined statement of income.

The Armour book value figures given in the next to last paragraph on page 5 are not complete. They are computed without making adjustment for conversion of Armour's 4-1/2% convertible debentures, although the comparable figures for General Host assume conversion of its outstanding convertible notes. Also, there is no indication of the very substantial excess of the current market value of Armour's stockholdings in Armour-Dial over the book value at which Armour-Dial's assets are carried by Armour in its consolidated balance sheet.

6. The outstanding Armour \$4.75 preferred stock shown in the capitalization table on page 7 will really be

senior so far as Armour's assets are concerned to all indebtedness of General Host including the 7% subordinated debentures to be issued in the exchange offer, at least until General Host and Armour are merged into a single corporation. There is no indication of this in the capitalization table or of the fact that this stock would become subordinate to all of the indebtedness of both corporations as a result of a merger. We would think that this should be brought out.

- 7. In a transaction as complex as this, we would think that the prospectus should have at the very beginning an introduction containing the salient features and highly speculative aspects of the offering. These are the antitrust problems and the magnitude and effect of possible divestitures by General Host including the resulting lack of significance of pro forma combined figures; the relative sizes of the two companies; the inordinately large amount of debt which General Host will incur and how it will be serviced; the fact that, at least until the corporations are merged, the indebtedness of General Host will be junior to that of Armour including its subordinate debentures and preferred stock. Obviously these factors make acceptance of the exchange offer a very risky business.
  - 8. We suggest that the Department of Justice has a necessary and legitimate interest in the content of any

prospectus used by General Host for this exchange offer, and we assume that the Commission has sought and received clearance by the Department of the material in the proxy statement describing the antitrust problems. In our opinion, as counsel for Armour, the acquisition by General Host of control of Armour would violate the 1920 Packers Consent Decree, and we request that the Staff require that this opinion be set forth in the prospectus.

9. Furthermore, in our opinion, General Host is now an investment company, is and has been operating in violation of the Investment Company Act of 1940, and as a result the 7% subordinate debentures and warrants proposed to be issued in the exchange offer will be illegal unless General Host is successful in obtaining an exemption from that Act, which exemption Armour will vigorously oppose.

We also request that this opinion of Armour's counsel be included in any prospectus presenting the exchange offer to Armour stockholders.

<sup>10.</sup> Armour will release its full audited figures for its fiscal year ended November 2, 1968 on or about January 9, 1968, and these will be made available to General Host when they are released so that they may be taken into account and incorporated into any amendment to the registration statement.

JA10810/

DEFENDANTS' EXHIBIT NO. A-22:

LETTER FROM SULLIVAN & CROMWELL TO SEC, DATED JANUARY 6, 1969

17. AVENUS HATIGNEN, FARIS ST TELEPHONE: 359-09-00 TELEX: 25727 CABLE ADDRESS LADYCOURT, PARIS 48 WALL STREET. NEW YORK 10005

JA1082

#### SULLIVAN & CROMWELL

TELEPHONE: 212 HANGVER 2-0100 TELEX: 62694 CABLE ADDRESS: LADYCOURT, NEW YORK

January 6, 1960

Hon. Menuel F. Cakan, Chairman, Securities of Landyugo Commission, D.C. Washingtof.

Deer Janny:

Last Friday To Ellis, Hodson, Chaff to discuss the regil tration Host Corporation on to a proposed chehen Minor Johnson of Mirhland, ters and I not with a of Corporation Pinance batement filed by General 50, 1863 which portains of General Host's subordinate debentures and werrents the stockholders of Armour and Company. Mr. John is a life represent Armour and Company, which has been that the proposed exchange offer, and the attempt to be remy to the best interests of Armour stockholders. We left with her, Borton the enclosed memoranhum which discusses what we consider to be gross indequacins in the registration stokenest. tration statement.

I would hope that you won the the questions raised in the memorandum by sufficient importance so that the staff review of the registration statement will not be carried out under any summary or accelcrated procedure, and so that members of the Commission itself are oware of the naterial deficiencies in the registration statement. To fail to see how it is in the public interest for a company to carry out an exchange offer of this type if in doing so it will be issuing securities which it could not issue if it were registered, as it should be, under the Investment Company Act of 1040.

Since we met with Phil Lockis on this matter at an earlier stage, I am sending him a copy of this letter and the onclosure.

Sincerely yours,

# JA1082 a

# DEFENDANTS' EXHIBIT NO. A-23:

LETTER FROM KIRKLAND, ELLIS TO SEC, DATED JANUARY 6, 1969

DEFENDANTS' EXHIBIT NO. A-25:

ADVERTISEMENT, WALL STREET JOURNAL, DATED JANUARY 9, 1969



ENGINEET.

CHICAGO, ILLINOIS

#### To Armour Stockholders:

General Host Corporation, a company with a top heavy debt structure, approximately one-tenth the size of Asmour in sales and profits, has filed a Registration Statement covering an exchange offer it proposes to make to Armour stockholders in an effort to obtain control of Armour.

For each Armour common share tendered, General Host proposes to offer \$60 principal amount of 7% subordinated debentures due in 1994 and 11/2 warrants expiring in 1979 to purchase General Host stock at \$45

In due course, we will advise you of the many compelling reason why you should reject this offer out-of-hand. However, the primary pur pose of this letter is simply to make sure that every Armour stockholder. understands the very substantial risks involved in irrevocably tendering any shares to General Host until the very serious anti-trust, accounting, debt service and other problems inherent in this offer have been resolved or clarified.

#### **Anti-Trust Considerations**

In the opinion of Sullivan & Cromwell and Kirkland, Ellis, Hodson, Chaffetz & Masters, Counsel to Armour, control of Armour by General Host, as now constituted, would be a flagrant violation of the principles of the Packers' Consent Decree of 1920.

Also, General Host now acknowledges that:

"The Department of Justice has indicated to General (Host) that in its view the acquisition of control of Armour by General under present circumstances would violate this Decree."

It is important that Armour stockholders understand the basic prin-

For 48 years, Armour has been subject to the restrictions imposed by the 1920 Packers' Consent Decree which perpetually enjoins Armour from the manufacture and/or sale of some 140 food and non-food items, including bread, hiscuits, flour, sugar, rice, condiments, coffee, tea, milk, cream, soft drinks, fresh and canned fish, fresh and canned vegetables, fresh and canned fruits, nuts, jellies, cereals, and the retail sale of meat, all of which General Host produces or sells in its stores or serves in its restaurants. The Decree clearly applies not only to Armour but to any person controlling Armour.

On two occasions Armour has unsuccessfully sought to have the Decree modified, and there is no reason to believe that General Host will be any more successful in this regard than Armour has been

Since almost all of General Host's operations are dependent upon products specifically forbidden by the Consent Decree, in our opinion and that of our Counsel, before General Host could exercise control of Armour, it would have to liquidate virtually its entire business. Office vise, the Department of Justice would be successful, we and our Counsel believe, In obtaining a Court Order histografical General Hest's control of Agranus violates the Decree and that it is required to divest itself of either its Armour stock or the farbidden businesses.

The statements in General Hest's Registration Statement as to the anti-trust implications of its offer are incomplete and misleading. There are, however, a few statements which are very enlightening;

"... it is possible that a court might construe the Decree to restrict General's control of Armour";

"Accordingly, it may become necessary or desirable for General to modify, dispose of or agree to dispose of, a substantial part of its assets and businesses";

"The assets or businesses... General might be required to modify or divest could include some, or soled untially all of its tend production and processing operations" (70% of sales to the heart wareks of 6 cal 19 70;

"In addition, General may find it necessary or expedient to somewhat modify the product line carried in its convenience stores."

No explanation is given as to how a bakery (General Host's major ness) can modify its operations so as to terminate the production and sale of baked goods and still stay in business or how a convenience store which is another name for a mini-supermarket can withdraw its basic food , roducts and still attract customers. Even General Host's tourism facilities are dependent upon restaurant operations which would violate

Conceivably the management of General Host might be woung to liquidate all of its present business and reduce General Host to a thinly capitalized shell, in order to obtain and exercise control of Armour. V.hat General Host might realize upon a forced sale of its forbidden businesses is unknown, but since these businesses have not historically sold at a high ratio to carnings, it is safe to say that the price would not approach the very high 40 times earnings ratio at which General Host's stack new sells and that the sales would adversely affect General Host's earnings, financial position and the market price of its stock.

#### Income Considerations

If General Host elects to dispose of its present business, the preforma combined statements of income presented in its. Registration Statement are meaningless. However, even as presented, these statements raise disturbing questions as to the ability of General Host to pay interest and amortization on its huge debt. Also, they do not take into account the fact that General Host estimates it will spend up to about \$9 million in ises in making the offer, interest on this amount, which is almost 25% of General Host's net worth, would substantially reduce not income. Nor do the figures of per share earnings reflect the dilution from the potential exercise of up to 8,655,000 stock purchase warrants which is over three times the number of shares now outstanding.

As now set forth in General Host's Registration Statement, the tabutation of pro forma combined earnings figures indicates that before extraordinary items General Host alone carned \$1.00 per share in the 52 weeks ended Octobor 5, 1968, that if General Host acquires 40% of Armour (which would not permit the consolidation of their accounts for accounting purposes) General Host's earnings would become a deficit of \$1,201,000 before extraordinary items which would be equivalent to earnings of 28s per share assuming conversion of General Hoot's convertible notes, and that if General Host acquires as much as 65% of Amour (which would permit the consolidation of their earnings for accounting purposes) these earnings before extraordinary items would be \$1.20 per share.

But these figures do not mean that General Host would have the each flow norms are to service its preatly increased debt

For so long as there continue to be any muldis stockholders of Armour, even if General Host were in control of Armour's Board of Directors, which is classified and elected for three year terms, General Host could not use Armour's assets and each flow-except by the dectaration of dividends—to service General Host's and-diedness,

In contrast to these dubious and speculative values, Armour's propects were never brighter. For the year ended November 2, 1968, our earnings before extraordinary items amounted to \$4.73 a share on the number of common shares outstanding at that date, and present infications are that earnings will continue to improve.

WILLIAM VALOD PLEEZA

Contract the death

DEFENDANTS' EXHIBIT NO. A-26:

LETTER TO ARMOUR SHAREHOLDERS, DATED JANUARY 9, 1969

#### ARMOUR AND COMPANY CHICAGO, ILLINOIS 60690

WILLIAM WOOD PHINGE

January 9, 1969

TO ARMOUR STOCKHOLDERS:

General Host Corporation, a company with a top-heavy debt structure, and approximately 1/10th the size of Armour in sales and profits, has filed a Registration Statement covering an exchange offer it proposes to make to Armour stockholders in an effort to obtain control of Armour.

For each Armour common share tendered, General Host proposes to offer \$60 principal amount of 7% subordinated deben'ures due in 1994 and 1½ warrants expiring in 1979 to purchase General Host stock at \$45 per share.

In due course, we will advise you of the many compelling reasons why you should reject this offer out-of-hand. However, the primary purpose of this letter is simply to make sure that every Armour stockholder understands the very substantial risks involved in irrevocably tendering any shares to General Host until the very serious anti-trust, accounting, debt service and other problems inherent in this offer have been resolved or clarified.

#### ANTI-TRUST CONSIDERATIONS

In the opinion of Sullivan & Cromwell and Kirkland, Ellis, Hodson, Chaffetz & Masters, Counsel to Armour, control of Armour by General Host, as now constituted, would be a flagrant violation of the principles of the Packers' Consent Decree of 1920.

Also, General Host now acknowledges that:

"The Department of Justice has indicated to General (Host) that in its view the acquisition of control of Armour by General under present circumstances would violate this Decree."

It is important that Armour stockholders understand the basic principles involved.

For 48 years, Armour has been subject to the restrictions imposed by the 1920 Packers' Consent Decree which perpetually enjoins Armour from the manufacture and/or sale of some 140 food and non-food items, including bread, biscuits, flour, sugar, rice, condiments, coffee, tea, milk, cream, soft drinks, fresh and canned fish, fresh and canned vegetables, fresh and canned fruits, nuts, jellies, cereals, and the retail sale of meat, all of which General Host produces or sells in its stores or serves in its restaurants. The Decree clearly applies not only to Armour but to any person controlling Armour.

On two occasions Armour has unsuccessfully sought to have the Decree modified, and there is no reason to believe that General Host will be any more successful in this regard than Armour has been.

Since almost all of General Host's operations are dependent upon products specifically forbidden by the Consent Decree, in our opinion and that of our Counsel, before General Host could exercise control of Armour, it would have to liquidate virtually its entire business. Otherwise, the Department of Justice would be successful, we and our Counsel believe, in obtaining a Court

All to be to when

Order holding that General Host's control of Armour violates the Decree and that it is required to divest itself of either its Armour stock or the forbidden businesses.

The statements in General Host's Registration Statement as to the anti-trust implications of its offer are incomplete and misleading. There are, however, a few statements which are very enlightening:

". . . it is possible that a court might construct he Decree to restrict General's control of Armour";

"Accordingly, it may become necessary or desirable for General to modify, dispose of or agree to dispose of, a substantial part of its assets and businesses";

"The assets or businesses . . . General might be required to modify or divest could include some, or substantially all of its food production and processing operations" (73% of sales in the first 40 weeks of fiscal 1968);

"In addition, General may find it necessary or expedient to somewhat modify the product line carried in its convenient stores."

No explanation is given as to how a bakery (General Host's major business) can modify its operations so as to terminate the production and sale of baked goods and still stay in business or how a convenience store which is another name for a mini-supermarket can withdraw its basic food products and still attract customers. Even General Host's tourism facilities are dependent upon restaurant operations which would violate the Consent Decree.

Conceivably the management of General Host might be willing to liquidate all of its present business and reduce General Host to a thinly capitalized shell, in order to obtain and exercise control of Armour. What General Host might realize upon a forced sale of its forbidden businesses is unknown, but since these businesses have not historically sold at a high ratio to earnings, it is safe to say that the price would not approach the very high 40 times earnings ratio at which General Host's stock now sells and that the sales would adversely affect General Host's earnings, financial position and the market price of its stock.

#### INCOME CONSIDERATIONS

If General Host elects to dispose of its present business, the pro forma combined statements of income presented in its Registration Statement are meaningless. However, even as presented, these statements raise disturbing questions as to the ability of General Host to pay interest and amortization on its huge debt. Also, they do not take into account the fact that General Host estimates it will spend up to about \$9 million in expenses in making the offer. Interest on this amount, which is almost 25% of General Host's net worth, would substantially reduce net income. Nor do the figures of per share earnings reflect the dilution from the potential exercise of up to 8,655,000 stock purchase warrants which is over three times the number of shares now outstanding.

As now set forth in General Host's Registration Statement, the tabulation of proforma combined earnings figures indicates that before extraordinary items General Host alone earned \$1.00 per share in the 52 weeks ended October 5, 1968, that if General Host acquires 40% of Armour (which would not permit the consolidation of their accounts for accounting purposes) General Host's earnings would become a deficit of \$1,201,000 before extraordinary items, which would be equivalent to earnings of 28¢ per share assuming conversion of General Host's convertible notes, and that if General Host acquires as much a. 60% of Armour (which would permit the consolidation of their earnings for accounting purposes) these earnings before extraordinary items would be \$1.20 per share.

' But these figures do not mean that General Host would have the eash flow necessary to service its greatly increased debt.

For so long as there continue to be any public stockholders of Armour, even if General Host were in control of Armour's Board of Directors, which is classified and elected for three-year terms, General Host could not use Armour's assets and each flow—except by the declaration of dividends—to service General Host's indebtedness.

In contrast to these dubious and speculative values, Armour's prospects were never brighter. For the year ended November 2, 1968, our earnings before extraordinary items amounted to \$3.73 a share on the number of common shares outstanding at that date, and present indications are that earnings will continue to improve.

Sincerely,

WHAJAM WOOD PRINCE Chairman of the Board

W. Cloub Doof & ringe

# DEFENDANTS' EXHIBIT NO. A-28:

LETTER FROM SEC TO SULLIVAN & CROMWELL, DATED JANUARY 17, 1969



# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

JA1088

JAN 17 1259

Robert A. McDowell, Esq. Sullivan & Cromwell 48 Wall Street New York, New York 10005

Re: General Host Corporation Armour and Company

Dear Mr. McDowell:

Thank you for your letter of January 6, 1969 enclosing a copy of a memorandum which discusses what you feel to be inadequacies in the pending registration statement of General Host.

I understand that General Host is a reporting company under the Securities Exchange Act and has had numerous recent filings under the Securities Act. The staff will undertake to process the registration statement in a manner consistent with our responsibilities under the Act. •

I am certain that the Division of Corporation Finance will wisely exercise its discretion in determining the extent to which the Commission itself should be asked to participate in the processing of the registration statement.

Sincerely,

Manuel F. Cohen

Chairman

DEFENDANTS' EXHIBIT NO. A-29:

ARMOUR PROXY, DATED JANUARY 17,1969

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Important

Approximately 81% of the stockholders of Armour and Company own 100 or fewer shares. This makes it important that each stockholder, whether he owns one or many shares, send in his proxy, especially if he is not able to attend the meeting.

# Notice of annual meeting of stockholders of Armour and Company to be held February 21, 1969

To the Holders of Common Stock of Armour and Company:

The annual meeting of stockholders will be held in the Assembly Hall Auditorium in The Prudential Building, Prudential Plaza, 130 East Randolph Street, Chicago, Illinois, on Friday, February 21, 1969, at ten o'clock in the forenoon, for the election of six directors, the approval of the appointment of independent auditors for the 1969 fiscal year, and for the consideration of such other matters as may properly come before the meeting.

Holders of Common Stock of record at the close of business on January 7, 1969, will be entitled to vote at the meeting. For a period of at least 10 days prior to the date of the meeting, a complete list of the stockholders entitled to vote at the meeting will be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours at the office of the Company, 401 North Wabash Avenue, Chicago, Illinois.

You are earnestly requested to sign, date and mail the accompanying proxy in the enclosed self-addressed, stamped envelope, whether or not you expect to attend the meeting in person. You may revoke your proxy for any reason at any time prior to the voting thereof. Your cooperation is respectfully solicited.

By order of the Board of Directors.

Louis R. Miller, Secretary.

Chicago, Illinois, January 17, 1969.

#### PROXY STATEMENT

The enclosed proxy is solicited on behalf of the management, and the cost of the proxy solicitation will be borne by the Company. In addition to the solicitation of proxies by the use of the mails, Georgeson & Co. of New York City has been retained to aid in the solicitation at a cost estimated to be \$5,000 and certain officers and other regular employes of the Company may devote part of their time to such solicitation by telegraph, telephone or personal calls. Proxies may be revoked at any time prior to the voting thereof.

The Company knows of no matter, other than the election of six directors and the approval of the appointment of independent auditors for the 1969 fiscal year, that is to be acted upon at the meeting; but if any other business properly comes before the meeting, it is the intention of the proxies named in the proxy accompanying this statement to vote on such matters in accordance with their best judgment.

As of January 1, 1969, the Company had outstanding 6,112,229 shares of Common Stock, each share being entitled to one vote. Each holder of record at the close of business on January 7, 1969, will be entitled to vote at the meeting and will have the right of cumulative voting in the election of the directors. As of January 1, 1969, no person owned of record, or to the knowledge of the management owned beneficially, more than 10% of the outstanding Common Stock of the Company, except General Host Corporation which owned of record 16.4% of the Company's outstanding voting securities, represented by 1,002,500 shares of Common Stock.

#### **ELECTION OF DIRECTORS**

Six directors are to be elected at this meeting, for terms of three years each. At the election each holder of record will have cumulative voting rights exercisable in person or by proxy, and accordingly the proxies named in the accompanying form of proxy may distribute the total number of votes represented by the proxies they hold (determined by multiplying the number of shares represented thereby by the number of directors to be elected) among all or any of the nominees in such manner as they in their discretion determine. Subject to the foregoing, the proxies given pursuant to this solicitation will be voted for the following nominees, each of whom is now a director of the Company: MODESTUS R. BAUER, JAMES R. LEAVELL, CHARLES S. POTTER, MILTON STEINBACH, A. THOMAS TAYLOR and PERRY A. WHITE. If any of said nominees is not a candidate for election as a director at the meeting, an event which the management does not anticipate, the proxies will be voted (subject to cumulation as aforesaid) for a substitute nominee or nominees and for the other nominees above named.

#### INFORMATION CONCERNING NOMINEES AND DIRECTORS

Name	Principal Occupation and Business of Employer*	Di- rector Since	Equity Securities of the Company Beneficially Owned December 1, 1968*	Equity Securities of Armour-Dial, Inc. Beneficially Owned December 1, 1968*
Nominees for Terms Expiring at Annual Meeting in 1972				
Modestus B. Baueres	Personal Investments, Long Beach, California	1956	150,040 shares of Common \$700,000 41/2% Debentures	37,510 shares of Common
James B. Leavell**	Retired (formerly President of Continental Illinois National Bank and Trust Company of Chicago)	1933	500 shares of Common \$4,400 41/2% Debentures	125 shares of Common
Charles S. Potter**	President, The Union Stock Yard and Transit Com- pany of Chicago (operates Chicago Stock Yards)	1960	178 shares of Common(1)(2) \$700 41/2% Debentures	None(2)
Milton Steinbach**	Investment Banker, Wer- theim & Co., New York, New York (investment banking)	1954	18,354 shares of Common(3)	4,589 shares of Common(3)
A. Thomas Taylor**	Chairman of the Board and Chief Executive Officer, IPL inc. (world-wide marketing, cattle ranch- ing and food processing)	1966	530 shares of Common(4) 130 shares of \$4.75 Preferred	None
Perry A. White	President, Baldwin-Lima- Hamilton Corporation, a subsidiary of Armour and Company	1965	3,226 shares of Common(5)	800 shares of Common
Directors Whose Terms Expire at Annual Meeting in 1970				
· Chris L. Christensen	Personal Investments, Tulsa, Oklahoma	1951	1,400 shares of Common	350 shares of Common
. James F. Donovan**	Trustee, Frederick Henry Prince Trusts, Chicago, Illinois (managing wholl owned subsidiaries which operate stock yards, build, sell and lease industrial real estate and engage in other related activities)	1954	None(1)(6)	None(6)
Homer J. Livingston**	Chairman of the Board, The First National Bank of Chicago (banking)	1956	148 shares of Common \$1,000 4½% Debentures	37 shares of Common

 Name	Principal Occupation and Business of Employer*	Di- rector Since	Equity Securities of the Company Beneficially Owned December 1, 1968		Equity Securities of Armour-Dial, Inc. Beneficially Owned December 1, 1968*
George A. Rentschler**	Personal Investments, New York, New York	1953	12,765 shares of Common 9,581 shares of \$4.75 Preferred		None
Edward W. Wilson	Retired (formerly Vice Chairman of the Board, Armour and Company)	1959	11,000 shares of Common(7) \$24,000 41/2% Debentures	500	shares of Common(7)
Directors Whose Terms Expire at Annual Bleeting in 1971				.* .	
E. Taylor Chewning	President, The United Clay Products Company, Wash- ington, D.C. (manufac- turers of clay products)	1956	269 shares of Common(8) \$1,400 41/2% Debentures	67	shares of Common(8)
Even T. Collinsworth, Jr.	Group Vice President, Armour and Company	1968	4,250 shares of Common \$1,000 41/2% Debentures		None
Clifton B. Cox	Group Vice President, Armour and Company	1968	342 shares of Common \$7,000 4½% Debentures	100	shares of Common
David L. Duensing**	Executive Vice President, Armour and Company; President, Armour-Dial, Inc.	1968	1,433 shares of Common	358	shares of Common(9)
Charles R. Orem**	President, Armour and Company	1968	200 shares of Common \$3,000 4½% Debentures	250	shares of Common
William Wood Prince**	Chairman of the Board and Chief Executive Officer, Armour and Company	1950	55,072 shares of Common(1) 65 shares of \$4.75 Preferred \$26,000 4½% Debentures		None

- \* As furnished by each nominee or director.
- Member of the Executive Committee of the Company.
- (1) The management is advised that on December 1, 1968, the Frederick Henry Prince Trust (1922), of which James F. Donovan and William Wood Prince are Trustees and William Wood Prince is one of several income beneficiaries, owned all the outstanding shares of F. H. Prince & Co., Inc., an investment company, of which James F. Donovan, Charles S. Potter and William Wood Prince are officers and directors, which owned, directly or through subsidiaries, 356,400 shares of the Company's Common Stock; that the Frederick Henry Prince Trust (1947), the Frederick Henry Prince Testamentary Trust and the Abbie Norman Prince Trust, of which James F. Donovan and William Wood Prince are Trustees, owned 54,600, 7,000 and 18,000 shares, respectively, of the Company's Common Stock, and the Frederick Henry Prince Trust (1947) owned \$400,000 of the Company's 4½% Convertible Subordinated Debentures.
- (2) The management is advised that on December 1, 1963, Mr. Potter's wife and daughter owned 500 and 9 shares, respectively, of the Company's Common Stock, and that Mr. Potter's wife owned 125 shares of the Common Stock of Armour-Dial, Inc.; Mr. Potter states that he has no beneficial interest in such shares.
- (3) The management is advised that on December 1, 1968, Wertheim & Co., in which Milton Steinbach is a partner, owned 40,967 shares of the Company's Common Stock and 10,242 shares of the Common Stock of Armour Dial, Inc., and Mr. Steinbach's wife owned 13,390 shares of the Company's Common Stock and 3,348 shares of the Common Stock of Armour Dial, Inc.; Mr. Steinbach states that he has no beneficial interest in such shares.
- (4) The management is advised that on December 1, 1963, Mr. Taylor's wife owned 242 shares of the Company's Common Stock; Mr. Taylor states that he has no beneficial interest in such shares.
- (5) The management is advised that on December 1, 1968, Mr. White's daughter owned 14 shares of the Company's Common Stock and \$100 of the Company's 4½% Convertible Subordinated Debentures; Mr. White states that he has no beneficial interest in such securities.
- (6) The management is advised that on December 1, 1968, Mr. Donovan's wife and children owned 350 and 600 shares, respectively, of the Company's Common Stock and that Mr. Donovan's son owned 125 shares of the Common Stock of Armour-Dial, Inc.; Mr. Donovan states that he has no beneficial interest in such shares.
- (7) The management is advised that on December 1, 1968, Mr. Wilson's wife owned 195 shares of the Company's Common Stock and 48 shares of the Common Stock of Armour Dial, Inc.; Mr. Wilson states that he has no beneficial interest in such shares.
- (8) The management is advised that on December 1, 1963, Continental Clay Products Company, of which E. Taylor Chewning is President and, together with his immediate family, is the beneficial owner of 70% of the capital stock, owned 400 shares of the Company's Common Stock, \$2,100 of the Company's 4½% Convertible Subordinated Debentures and 100 shares of the Common Stock of Armour Dial, Inc.
- (9) The management is advised that on December 1, 1963, Mr. Duensing's wife and children owned 200 shares of the Common Stock of Armour-Dial, Inc.; Mr. Duensing states that he has no beneficial interest in such shares.

Mr. Collinsworth, who was chosen a director of the Company on August 1, 1968, to fill the vacancy created by the resignation of John M. Hoe ner, has been employed by the Company since 1964; he was elected a Vice President on April 7, 1964, and a Group Vice President on February 17, 1967, and is presently in charge of Armour Industrial Chemical Company, Armour Industrial Products Company and Armour Leather Company; before coming to the Company, Mr. Collinsworth was engaged in financial consulting activities, prior to which he was President of Fansteel Metallurgical Corporation, North Chicago, Illinois. Mr. Cox, who was nominated and elected a director of the Company at the 1968 annual meeting of stockholders, has been employed by the Company since 1960, and was elected Group Vice President in charge of Armour Foods on May 29, 1967.

#### APPROVAL OF INDEPENDENT AUDITORS

The Board of Directors has appointed, subject to approval by the stockholders at this meeting, the firm of Price Waterhouse & Co. as the independent auditors to examine the accounts of the Company for the 1969 fiscal year. This firm has audited the Company's accounts for many years and is one of the largest and best known firms of independent accountants. It has informed the Company that to the best of its knowledge and belief it has no direct financial interest or any material indirect financial interest in the Company and during the past three years has had no connection therewith other than as independent auditors.

#### REMUNERATION AND OTHER TRANSACTIONS WITH MANAGEMENT AND OTHERS

#### Remuncration

The following is a statement of all direct remuneration, for services in all capacitics, paid or secrued by the Company and its subsidiaries in respect of the last fiscal year to: (1) each director, and each of the three highest-paid officers, of the Company whose aggregate direct remuneration exceeded \$30,000, and (2) all directors and officers of the Company as a group; also, the estimated annual retirement benefits of the individuals named.

		Aggregate Dire		
Name of Individual or Identity of Group	Capacities in which  Benuneration was  Beceived	Regular Bemuneration	Management Incentive Compensation	Estimated Annual Retire- ment Benefits*
William Wood Prince	Chairman of the Board and Chief Executive Officer(1)	\$127,404	\$63,702	\$43,057
Charles R. Orem	President(2)	99,712	49,855	37,615
Pavid L. Duensing	Executive Vice President; (3) President and Chief Executive Officer, Armour-Dial, Inc.	89,616	44,807	65,869
Even T. Collinsworth, Jr.	Group Vice President	76,442	15,288	29,934
Perry A. White	Group Vice President	76,442	15,288	30,025
Clifton B. Cox	Group Vice President	73,077	25,576	26,239
George A. Rentschler	Director, Chairman of Executive Committee of Baldwin-Lima- Hamilton Corporation, Employment Contract	56,175	-0-	18,305
All directors and officers as a group (46 persons including the above)	Directors, Members of Executive Committee, Officers	1,775,720	400,101	20,000

The estimated amounts are based upon the assumption that persons under the age of 65 will continue in eligible employment to that age at current salary rates and without change in the pension and retirement plans.

(1) Resigned as President and elected Chairman of the Board May 2, 1968. In addition to his regular remuneration, Mr. Prince is to receive, pursuant to the employment contract entered into with the Company in 1964 (described below), deferred compensation, forfeitable under certain conditions.

(2) Elected President May 2, 1963.

(3) Designated Executive Vice President May 2, 1963.

Under the Company's Management Incentive Plan, incentive payments to eligible employees are to be based upon their accomplishment of pre-specified objectives, as appraised by the committee which adminiters the plan. Incentive payments for outstanding performance may range up to 50% of basic salary.

Total payments under the plan for any fiscal year, if they exceed \$250,000, must be within the lesser of (a) the amount by which Incentive Plan Earnings, less the pre-tax earnings equivalent of the Preferred Stock dividend requirement, exceed 12% of (i) stockholders' equity plus certain deferred credits, less (ii) the par value of the outstanding Preferred Stock plus a portion of the investment in foreign subsidiaries, or (b) 6% of Incentive Plan Earnings. Incentive Plan Earnings are defined to mean the consolidated pre-tax earnings of the Company, exclusive of foreign subsidiaries, capital gains and losses and the amount made available by the plan. In addition, any Incentive Plan Earnings not paid out in any fiscal year may be carried over and used to pay incentive compensation in subsequent years. All officers of the Company (including William Wood Prince, Charles R. Orem, David L. Duensing, Even T. Collinsworth, Clifton B. Cox and Perry A. White, whose payments shall be established by the Board of Directors) and other employees of certain salary classifications are eligible for participation under the plan. Incentive compensation in excess of \$5,000 may be paid, at the option of the committee, in cash, in installments or as deferred payment(s), or in the form of the Company's Common Stock or 4½% Convertible Subordinated Debentures.

In 1964, the Company entered into a contract with William Wood Prince whereby he agreed to serve the Company in an executive capacity for successive one year periods beginning January 1, 1965, unless terminated by either party on 30 days' notice, at a salary of \$125,000 per year and, subject to specified conditions, deferred compensation at the rate of \$1,041.66 per month for a number of months equal to twice the number of months of his employment under the contract.

As a result of the merger of Baldwin-Lima-Hamilton Corporation (BLH) into the Company on July 2, 1965, the Company assumed a 1958 agreement between BLH and George A. Rentschler under which he became entitled, when his full time employment with BLH ceased in 1962, to receive compensation in the amount of \$35,000 per year for life, in consideration of his rendering consulting and advisory services on a part-time basis and refraining from rendering services to a competitor of BLH. This amount is included in the above table.

#### Stock Options and Related Indebtedness

The following tabulation shows as to certain directors and officers and as to all directors and officers as a group, with respect to options to purchase shares of the Company's Common Stock, (i) options granted since the beginning of the last fiscal year, (ii) shares acquired since that date pursuant to the exercise of outstanding options and (iii) the number of shares subject to unexercised options held as of December 20, 1968.

	Options Granted* 10/29/67 to 12/20/68		Options Exercised 10/29/67 to 12/20/68			Total Unexercised Options Held 18/20/68	
Name of Individual or Identity of Group	Aggregate Number of Shares	Average Option Price per Share	Aggregate Number of Shares	Aggregate Purchase Price	Aggregate Market Value at Date of Purchase	Aggregate Number of Shares	Average Option Price per Share
William Wood Prince	***************************************	\$ -	-	\$ -	\$ -	6,160	\$40.81
Charles R. Orem	1,500	36.50	-	-		6,900	43.41
David L. Duensing	1,750	36.50	1,100	36,344	49,225	5,790	41.64
Even T. Collinsworth, Jr	1,000	36.50	4,250	198,013	252,875	2,000	41.13
Clifton B. Cox	1,800	36.50	1,000	36,600	59,000	3,868	39.25
Perry A. White		_	1,000	25,530	49,125	2,177	25.53
All directors and officers as a group	33,550	\$37.59	26,578	\$1,032,783	\$1,453,790	67,882	\$39.73

No stock options have been granted to directors as such.

Since the beginning of the Company's last fiscal year, H. E. Brooks, R. L. James, C. B. Johnson, W. C. Lothrop and J. C. Mommsen, officers of the Company, elected, pursuant to the provisions of their Restricted Stock Options, to purchase, respectively, 2,200, 1,430, 500, 3,300 and 1,600 shares of the Common Stock of the Company on the installment basis. The largest amounts of indebtedness outstanding

thereon during such period were, respectively, \$71,192.00, \$51,203.30, \$17,905.00, \$110,704.00 and \$54,188.00, and the amounts outstanding on December 20, 1968, were, respectively, \$60,074.23, \$51,208.30, none, \$110,704.00 and \$54,188.00. With respect to each share purchased on the installment basis, the Optionec is required to pay in each at least \$5.00 at the time of exercise and a like amount on the first days of each May and November thereafter until the full purchase price has been paid. The shares purchased in this manner remain in the possession of the Company as a pledge to secure the unpaid purchase price. The deferred balances of the purchase price do not bear interest, but only partial dividends (proportionate to the amount of the purchase price paid on the respective dates of declaration) are payable on such partly paid shares.

#### Other Transactions

Since the beginning of the last fiscal year, the Company purchased, at market prices, securities through Wertheim & Co., in which firm Milton Steinbach, a director of the Company, is a partner. Brokerage and dealer commissions paid to Wertheim & Co. during such period, charged at minimum New York Stock Exchange rates, were \$3,558. In addition, Wertheim & Co. was the manager of a group underwriting the offering of 1,894,119 shares of Armour-Dial, Inc. The net income to Wertheim & Co. from this venture was \$381,214.84. Wertheim & Co. also acted as advisor to the Company in connection with its offer to purchase shares of its Common Stock, for which it will receive a fee of \$50,000.

The Company has for many years made purchases in the ordinary course of business from IPL inc. of which A. Thomas Taylor, a director of the Company, is Chairman of the Board and Chief Executive Officer. These purchases have been principally of imported meats, and since the beginning of the last fiscal year have constituted less than 2% of the total business of each company. It is anticipated that these purchases will continue. In August, 1968, the Company converted \$2,203,400 principal amount of 53,4% Convertible Subordinated Debentures of IPL inc. into 220,340 shares of common stock and now owns approximately 29% of the outstanding common stock of IPL inc.

Since the beginning of the last fiscal year, the Company, as lessee of phosphate rock lands from Crawford Real Estate Development Co. (Crawford), me le payments of \$790,000 to Crawford for phosphate rock mined by the Company from the leased lands. James F. Donovan and Charles S. Potter, directors of the Company, are directors and officers of Crawford, which is indirectly owned by the Frederick Henry Prince Trust (1932). Although mining operations were completed in April, 1968, the Company will continue to make payment of minimum royalties of \$600,000 a year until the termination of the mining lease on October 31, 1970.

The Company has long used established lines of credit with numerous banks including The First National Bank of Chicago, of which Homer J. Livingston, a director of the Company, is Chairman of the Board and Chief Executive Officer. From the beginning of the last fiscal year through December 31, 1968, this bank received interest from the Company, at the prime commercial rate, aggregating \$584,406 on loans in the maximum amount at any one time outstanding of \$35,000,000. During the same period the Company, as lessee of motor vehicles and other equipment, paid rentals of \$4,684,555 to the trustees of an equipment trust in which the bank has a 50% interest, and rentals of \$196 406 for equipment leased directly from the bank. It is anticipated that these relationships will be a finued.

By order of the Board of Directors.

Louis R. Miller, Secretary. JA1094a

## DEFENDANTS' EXHIBIT NO. A-32:

LETTER FROM KIRKLAND, ELLIS TO SEC, DATED JANUARY 23, 1968

JA1095

A-32

KIRKLAND, L'ILLIS, HODSON, CHAFFETZ & MASTERS
PRUDENTIAL PLAZA
CHICAGO, ILLINOIS COCO1
TELEPHONE RANDOLPH 6-2029

January 23, 1969

Mr. Mark E. Borton Securities and Erolange Cormission 500 North Capital Street Washington, D.C. 20549

Dear Mr. Forton:

Proclosed for your information is a copy of Statement of Armour and Company which is being filed with the Illinois Secretary of State. We believe you will want to review the serious disclosure problems set forth in this Statement.

Very truly yours,

Elmer W. Johnson

ENJ:rt

JA1095a

## DEFENDANTS' EXHIBIT NO. A-34:

LETTER FROM SULLIVAN & CROMWELL TO SEC DATED JANUARY 24, 1969

17, AVENUE MATIGNON, PARIS 0°
TELEPHONE: 350-04-90
TELEX: 20070
CABLE ADDRESS: LAUYCOURT, PAICES

#### SULLIVAN & CROMWELL

TELEPHONE: 212 HANOVER 2-5100
TELEX: 62694
CAULE ADDRESS: LADYGOURY, NEW YORK

48 WALL STREET, NEW YORK 10005

January 24, 1969

Securities and Exchange Commission, Vashington, D. C. 20025.

bear Sira:

Armour and Company has filted against General Host Corporation.

We are sure by you will wish to consider the Complaint in relation to the Registration Statement filed by General Host Corporation on or yout December 30, 1968, but not you offeetive, pertaining to the proposed exchange offer referred to in the Complaint. Also, we are sure you will wish to consider the Complaint is relationship to the fact that General Host may at the present time be operating illegally as an unregistered investment company.

Yours sincerely,

Sullivan & Cromwell

(Inclosure)

Co: Hon. Manual F. Cohen Hon. Charles D. Elweva Hon. Solomon Freedman JA1096

DEFENDANTS' EXHIBIT NO.A-34(1):

ARTICLE, NEW YORK TIMES, DATED JANUARY 24, 1969

January 24, 1969

JA1097

# Armour Seeks Take-Over Block: Mutual Fund Sues Merrill Lynch

Rebuff to General Host

By GERD WILCKE

Armour & Co. and one of its financial Industrial Fund, inc., major stockholders filed suit in a Denver-based mutual fund, yesterday to enjoin the Gen-Semillion in Federal District eral Host Corporation, its discourt against the nation's larger than the state of rectors, officers and bankers gest stock brokerage house, from king a tender offer for Merrill Lynch, Pierce, Fenner any Armour shares of common & Smith, Inc.

ers, including Allen & Co., Inc., pany stock would dealine. The and Kleiner, Bell & Co., Inc., fund said it was not one of the customers notified.

Federal security laws and the Investment Company Act of 1940.

The Armour action followed by only two days a ruling by a Federal Court in Chicago,

The Securities and Exchange

Information 'Leak' Charged

Continued on Page 34, Column 2 Continued on Page 38, Column 5

# IARMOUR SEEKING TAKE-OVER BI

Continued From Page 31

denying a Government request a temporary restraining order to block efforts by General Host to gain control of Armour & Co.

In its complaint, Armour charged that the exchange offer made by General Host was being "pushed by a vast merchandising effort by well-paid solicitors."

The complaint also alleged that it was unlikely that General Host would be able to pay the principal amount and interest on the nonconvertible. subordinated \$60 principal amount of debentures it proposed to offer Armour stockholders and that the value of the 11/2 warrants it proposed to offer was completely illusory. The complaint further alleged that the tax consequences to stockholders of Armour of the exchange offer could be adverse.

The Armour complaint de-scribed the General Host nonconvertible'. subordinated bentures as unsecured obliga-tions of General Host to be used as a means for "borrowing up to \$346-million from the stockholders of Armour— which General Host could not obtain from anyone else ir order to buy control of Armour."

Also, the complaint said, if Armour stockholders chose to planned to be issued by General Host, they would have to pay General Host up to \$389,-

concluded The complaint concluthat the stockholders Afmour were threatened with the surrender of their valuable Armour property and voting rights in the affairs of the company in exchange for grossly nequitable considerations.

JA10970/

DEFENDANTS' EXHIBIT NO. A-35:

GREYHOUND TENDER OFFER, DATED JANUARY 27, 1969

A-35 JA1098 (Auroun) ARMOUR AND COMPANY CHICAGO, ILLIHOUS 60699 WILLIAM WOOD PHINCE January 27, 1969 DEAR STOCKHOLDER, Accompanying this letter is the offer of a wholly-owned subsidiary of The Greykound Corporation to purchase shares of Armour's Common Stock at \$65.00 per share in each. The Board of Directors has carefully considered this offer; and I am conveying it to you as meriting your serious consideration to be weighed in terms of your personal situation. This letter is also being sent to the registered holders of Armour's 41/2% Convertible Subordinated Debentures. Very truly yours, ARMOUR AND COMPANY WILLIAM V'OOD PRINCE 'Chairman of the Board

Offer To Purchase 2,500,000 Shares of

# ARMOUR AND COMPANY

Common Stock

By

Greyhound Food Management, Inc., a wholly owned subsidiary of THE GREYHOUND CORPORATION

at \$65.00 per share net

Scheduled to expire Thursday, February 6, 1969, unless extended

To Common Stockholders of Armour and Company:

Greyhound Food Management, Inc. ("Greyhound") hereby offers to purchase shares of Common Stock of Armour and Company ("Armour") at \$65.00 per share net of brokerage commissions and transfer taxes, in cash, on the terms set forth herein. This offer will expire at 5:00 P.M. Chicago time on Thursday, February 6, 1969 unless extended. There will be public notice of any extension.

The closing price of Armour Common Stock on the New York Stock Exchange on January 24, 1969, the last trading day before the announcement of this offer, was \$59.00.

Greyhound will purchase on February 6, 1969, all shares tendered before 5:00 P.M. Chicago time on that date up to 2,500,000 shares. If more than that number are tendered, Greyhound may elect to purchase any or all of the excess. If it elects to take less than all shares tendered, Greyhound will purchase tendered shares on a pro rata basis, will give prompt notice of the pro rata portion to be purchased, and will return the unpurchased balance as soon as practicable.

Payment for all shares purchased will be made as soon as practicable after the purchases are made. Tenders may be withdrawn before 5:00 P.M. Chicago time on February 4, 1969. Thereafter they will be irrevocable.

Armour stockholders who wish to tender their shares must fill out and execute the enclosed Letter of Transmittal, which must either be accompanied by the stock certificates or contain the guarantee (in the space provided in the Letter of Transmittal) of a commercial bank, trust company, or member of a national securities exchange that the certificates will be deposited within five business days after notice of purchase has been given by Greyhound. The Letter of Transmittal so executed (and any accompanying stock certificates) must then be transmitted to the Tender Agent or one of the Forwarding Agents named below. The tender will be deemed to have been made when the Tender Agent or a Forwarding Agent receives either the Letter of Transmittal or a letter from a commercial bank, trust company, or member of a national securities exchange stating that the Letter of Transmittal has been deposited with it and will be forwarded promptly. The letter repst set forth the name of the tendering stockholder, the number of shares tendered and the serial number of the certificates evidencing the shares.

Lehman Brothers is acting as Dealer Manager in connection with this offer, and Greyhound will pay them the reasonable and customary fees for such services. In addition, members of the NASD and members of national securities exchanges who solicit tenders will be allowed a commission (payable by Greyhound) of \$.70 per share purchased hereunder if their names appear on the Letter of Transmittal.

#### The Tender Agent is:

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO
Corporate Securities Division
231 South La Salle Street
Chicago, Illinois 60690

#### The Forwarding Agents are:

FIRST NATIONAL CITY BANK
24th Floor
111 Wall Street
New York, New York 10015

BANK OF AMERICA N.T.&S.A.

Corporate Agency Stock Transfer Dept.
P. O. Box 3308
Rincon Annex
1 South Van Ness Avenue
San Francisco, California 94120

Additional information as to Greyhound is set forth below. Greyhound reserves the right to waive any terms or conditions of this offer or any defect in tenders.

#### ADDITIONAL INFORMATION

Greyhound is a Delaware corporation having its principal office at 2301 West Lafayette Boulevard, Detroit, Michigan 48216. Its principal business is the furnishing of centralized management and accounting services to certain subsidiaries of The Greyhound Corporation which provide industrial and institutional food service or engage in the operation of restaurants both within the bus terminals used by Greyhound Lines, Inc. and elsewhere.

The Greyhound Corporation is a Delaware corporation having its principal office at 10 South Riverside Plaza, Chicago, Illinois 60606. Its principal business is that of a holding company, having no business operations other than the holding of stock and other securities of subsidiaries and engaging in such financing and management as is incidental thereto.

If the offer is accepted to the full extent of 2,500,000 shares, the cost to Greyhound will be \$162.5 million plus expenses of approximately \$2.5 million. An affiliate of Greyhound has arranged to borrow \$75 million under an existing credit agreement with a group of banks. The agreement calls for repayment over a four year period if not renewed on any March 31 anniversary date, and the interest rate ranges from the prime rate in effect from time to time to such prime rate plus 1/4 of 1%. The balance of the funds will be obtained by The Greyhound Corporation under established lines of credit with commercial banks at the prime rate and/or through the sale of short term negotiable notes.

Greyhound is purchasing the Armour shares as an investment. Greyhound has no plans, in the event that it should acquire control of Armour, to liquidate Armour, sell its assets, merge it with any other company or make any major change in its business and corporate structure.

Neither Greyhound nor the Greyhound Corporation nor any of the latter's subsidiaries or their respective affiliates, owns or has any right to acquire any shares of Common Stock of Armour. To the best of Greyhound's knowledge, none of its officers and directors, none of the officers and directors of The Greyhound Corporation and none of the latter's subsidiaries or their respective affiliates own any shares of Armour or have affected any transactions in Armour Common Stock during the past 60 days.

Directors of Greyhound, their principal occupations and business addresses are: Frederick W. Ackerman, Honorary Chairman of the Board of The Greyhound Corporation, 371 Market Street, San Francisco, California; Gerald H. Trautman, President and Chief Executive Officer of The Greyhound Corporation; Jess Nicks, Vice President of The Greyhound Corporation, both of whose business addresses are 10 South Riverside Plaza, Chicago, Illinois; Henry A. Montague, President of Greyhound; Edward R. Marek, Vice President of Greyhound; Max W. Harman, Vice President of Greyhound; James E. Rather, President of Prophet Foods Co.; all of whose business addresses are 2301 West La-

fayette Boulevard, Detroit, Michigan; Charles S. Munson, Chairman of Executive Committee of Air Reduction Company, Inc., 150 East 42nd Street, New York, New York; and Peter J. Monaghan, Attorney at Law, 1732 Buhl Building, Detroit, Michigan.

Officers of Greyhound in addition to those referred to above are Ermo Dartoletti, Roger B. Burr, John II. DeSaye, Eugene A. Kray, and George W. Thorsen, Vice Presidents, all of whom are employed full time at 2301 West Lafayette Boulevard, Detroit, Michigan, and George T. Christie, Secretary, and F. Edward Lake, Treasurer. Mr. Christie's and Mr. Lake's principal occupations are as Secretary and Treasurer, respectively of The Greyhound Corporation at 10 South Riverside Plaza, Chicago, Illinois.

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The officers of The Greyhound Corporation in addition to those referred to above are: Ralph C. Batastini, Vice President-Finance; Sid Cato, Vice President-Public Relations; Herbert J. DeGaff. Vice President-Marketing; C. J. Fleps, Vice President; Robert E. Gocke, Vice President-Industrial Realtions and Personnel; Robert O. Lowe, Vice President-Comptroller; Jess Nicks, Vice President-Food Operations; Stephen F. Snyder, Vice President-Corporate Development; Vernon K. Stephens, Vice President-Sales and Planning; Charles M. Thomas, Vice President-Advertising; George T. Christie, Secretary; F. Edward Lake, Treasurer, all of whom are employed full time at The Greyhound Corporation's principal executive offices located at 10 South Riverside Plaza, Chicago, Illinois 60606.

This offer is not being made to, nor will Greyhound accept tenders from, holders of Armour Common Stock in any state in which this offer or the acceptance thereof would not be in compliance with the laws of such state. In those states whose laws require this offer to be made by a registered broker-dealer, this offer is made on behalf of Greyhound by one or more registered broker-dealers who are licensed under the laws of such state, including Lehman Brothers, who is acting as Dealer Manager for Greyhound in connection with this offer in those states in which Lehman Brothers is so licensed.

All questions as to the validity, form, eligibility (including the time of receipt) and acceptance of any tender of shares will be determined by the Tender Agent, whose determination will be final and binding.

GREYHOUND FOOD MANAGEMENT, INC.

JA1101a

DEFENDANTS' EXHIBIT NO. A-37:

LETTER FROM ARMOUR, DATED JANUARY 27, 1969

Oram depention JA1102 ARMOUR ARMOUR AND COMPANY CHICAGO, ILLINOIS 60690 JUNE GOOD PRINCE January 27, 1969 DEAR STOCKHOLDER, Accompanying this letter is the offer of a wholly-owned subsidiary of The Greyhound Corporation to purchase shares of Armour's Common Stock at \$65.00 per share in cash. The Board of Directors has carefully considered this offer; and I am conveying it to you as meriting your serious consideration to be weighed in terms of your personal situation. This letter is also being sent to the registered holders of Armour's 41/2% Convertible Subordinated Debentures. Very truly yours, ARMOUR AND COMPANY WILLIAM WOOD PRINCE Chairman of the Board

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All questions as to the validity, form, eligibility (including the time of receipt) and acceptance of any tender of shares will be determined by the Tender Agent, whose determination will be final and binding.

GREYHOUND FOOD MANAGEMENT, INC.

JA11050/

DEFENDANTS' EXHIBIT NO. A-42(A):

COMFLAINT IN ARMOUR & CO. v. GENERAL HOST

# UNITE) STATES DISTRICT COURT SOUTHERN DISTRICT OF NEW YORK

ARHOUR AND COMPANY and MCCLURE KELLEY,

Plaintiffs,

-arainst-

CENTIAL FOST CORPORATION,
RICHARD C. PISTULL, MADRIS J.
ACHTON. C. WHITCOND ALDEN,
JR. JOSEPH P. BINNE,
HALLIAN P. FOYTEX. RICHON B.
HALLIAN P. FOYTEX. RICHON B.
JR. J. FIROX CONE.
JCHOX. WILLIAM P. LOWE.
JCHOX. WILLIAM P. LOWE.
JCHOX. ALLENIN B. CONT.
JCHOX. ALLENIN B. CONT.
ALLEN ALLEN B. CONT.
LICONTOINTER.
DAG MARLIN, EILL B. CO.
LICONTOINTER.

L. fendants.

COLFLAIRT

SULLIVAN & CROMWELL.
48 WALL STREET, NEW YORK, N. Y. 10005
HANOVER 2.9100

ATTORNEYS FOR

Plaintiffs
Apromation Control and
Apromation Control

JA1108

## Weice States District Court

FOR THE

Southern District of New York

CIVIL ACTION FILE NO. 2 73

and the Go PALT and

Plaintiff

SUMMONS

GETTARA HOST CORPORATION, RICHARD C. JA., John F. Bring, Millai F. Bound,
Ja., John F. Bring, Millai F. Bound,
J. Gold, Dilla C. Reduland, Milli J.

J. John A. Alliandy, JR., Juli J.

Co Tall, Milla C. Fam I.Compating

and Jimit, Sall C. Co., I.Compating

Defendant Defendant

To the above named Defendant :

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3.10.1.

You are hereby summoned and required to serve upon Jullivan c. Gromwell

plaintiff's attorney , whose addressis and mall street, New York, M.Y. 10005 100 1111

an answer to the complaint which is herewith served upon you, within a days after service of this summons upon you, exclusive of the day of service. If you fail to do so, judgment by default will be taken against you for the relief demanded in the complaint.

Deputy Clerk

Date: ( amuary 12, 1.00

|Seal of Court |

en est and a second

ARMOUR AND COMPANY and McCLURE KELLEY,:

69 Civ 279

Plaintiffs,

-against-

COMPLAINT

GENERAL HOST CORPORATION, RICHARD C.:
PISTELL, HARRIS J. ASHTON, C.
WHITCOMB ALDEN, JR., JOSEPH P. BINNS,:
WILLIAM F. DOWNEY, WESTON E. HAMILTON,
WILLIAM P. HOWE, JR., J. ELROY MCCAW,:
EDWIN C. McDONALD, LESLIE W. SCOTT,
JOHN M. KINGSLEY, JR., JOHN P. GLYNN,:
ALLEN & COMPANY, ALLEN & COMPANY
INCORPORATED and KLEINER, BELL &:
CO., INCORPORATED,

Defendants.

Plaintiffs Armour and Compary ("Armour") and McClure Kelley, by their attorneys Sullivan & Cromwell, complaining of defendants, aver as follows:

behalf and by the individual plaintiff on behalf of himself and on behalf of the other registered owners of shares of the common stock of Armour who are not named as defendants in this action ("the class"), under Section 10(b) of the Securities Exchange Act of 1934, as amended (15 U.S.C. § 78j(b)) and Rule 10b-5 thereunder (17 C.F.R. § 240.10b-5), Section 14(e) of the Securities Exchange Act of 1934, as amended (15 U.S.C. § 78n(e)), Section 17(a) of the Securities Act of 1933, as amended (15 U.S.C. § 77q(a)), Section 7(a) of the Investment Company Act of 1940, as amended (15 U.S.C. § 80a-7) and the applicable common law. This Court has jurisdiction of this action pursuant to Section 27 of the Securities Exchange Act of 1934, as amended (15 U.S.C. § 78aa), Section 22 of the Securities Act of 1933,

as amended (10 U.S.C. 77.), Section 44 of the Investment Company Act of 17:0, as amended (15 U.S.C. § 80a-43), and principles of pendant jurisdiction.

- 2. Plaintiff Armour is a Delaware corporation having its principal place of business at 401 North Wabash Avenue, Chicago, Illinois. Plaintiff McClure Kelley has been and is the registered owner of at least 28,517 shares of the common stock of Armour and Company, since prior to January 1, 1988 and resides at Glermoore, Pennsylvania. The members of the class number in excess of 25,000 and it is, therefore, impracticable to bring all the members of the class before this Court. There are questions of law and fact involved herein common to the class and the claims of the representative of the class are typical of claims which the class can assert. The representative plaintiff will fairly and adequately protect the interests of the class.
- Hest"), formerly known as General Baking Company, is a New York corporation with its principal place of business at 245 Park Avenue, New York, New York, and transacts business within the Southern District of New York.
- 4. (a) Defendant Richard C. Pistell is Chairman of the Board of Directors and Chairman of the Executive Committee of General Nost.
- (h) Federdant Harris J. Ashton is a Director, Passident and seaber of the Executive Correcte of General House.
- (e) Lefendants C. Whiteemb Alden, Jr.,
  Jeseph P. Binns, William F. Dewney, Weston E. Hamilton.
  William P. Hewe, Jr., J. Elrey McCaw, Edwin C. McDerali and
  Lislie W. Scott are all members of the Board of Directors
  of General Host.

- 5. (a) Defendant John M. Kingsley, Jr., is Vice President-Operations of General Host.
- (b) Defendant John P. Glynn is Controller of General Host.
- 6. Defendant Allen & Company is a broker and dealer in securities and a member of the National Association of Securities Dealers, Inc., having its principal office at 30 Broad Street, New York, New York.
- 7. Defendant Allen & Company Incorporated is an investment banker and a member of the National Association of Securities Dealers, Inc., having its principal office at 30 Broad Street, New York, New York.
- 8. Defendant Kleiner, Bell & Co., Incorporated is a member of the New York Stock Exchange and a member of the National Association of Securities Dealers, Inc., having an office at 140 Broadway, New York, New York.
- 9. The violations of law complained of herein have occurred within the Southern District of New York.

## The Business of General Host

panies in the United States. It manufactures and sells a complete line of baked goods, including bread, rolls, cakes, pies, sweet goods, cookies and doughnuts through three major regional divisions. The largest of these divisions, Bond Baking Company, markets bread and other bakery products under the nationally known "Bond" trademark in the Eastern United States and in parts of the Midwest. A second division, Van de Kamp's, sells baked goods primarily in the Los Angeles and Seattle areas under the "Van de Kamp's" name. The Van de Kamp's division also operates an expanding chain

of coffee shops and restaurants, and sells a line of processed and frozen foods. It is presently building a new four million dollar frozen food plant. A third division, Eddy Bakeries Company, sells baked goods and operates under the "Eddy" trademark in the Northwestern United States.

General Host also manufactures and sells candy and crackers under the names "Vernell's" and "Hol-grain Wafer-ets" throughout the United States.

11. General Host has recently embarked upon a program of expansion and a vertical integration pursuant to what it has purported to describe as a "master plan" for acquiring new companies, products and attractions in the food, food service and tourism businesses. On July 19, 1968, General Host acquired Laul General Stores, Inc., a chain of approximately 380 self-service convenience food stores concentrated in the Southern and Midwestern United States. Li'l General Stores sells such items as soft drinks and other beverages, bread, fresh meats, fresh vegetables, fresh fruits, processed meat products, staple groceries, fresh milk and cream, butter, eggs, canned goods and frozen foods, including meats and fish. Two wholly-owned subsidiaries of General Host, Yellowstone Park Company and Everglades Park Company (both acquired in 1936) operate lodges, restaurants, recreational and other facilities at Yellowstone National Park and Everglades National Park. On or about April 2, 1968, General Host declared that pursuant to its plan of creating an integrated system of tourism operations in the United States it was then undertaking acquisition of all outstanding stock of the Utah Parks Company, which maintains or operates similar facilities at Grand Canyon, Zion Canyon and Eryce Canyon in the Western United States.

## Defendants' Conspiracy

12. On information and belief, at least as early as August, 1968, defendants General Host, Allen & Company, Allen & Company Incorporated, Kleiner, Bell & Co., Incorporated, Pistell and Ashton, together with others presently unknown to plaintiffs, entered into, engaged in, and unless prevented by this Court, will continue to engage in and carry forward a conspiracy, agreement and plan in violation of the Federal securities laws and the Investment Company Act of 1940 and for the purpose of working a fraud upon Armour and its shareholders and for the purpose of General Host's gaining control of Armour in violation of the Packers Antitrust Consent Decree of 1920. Moreover, on information and belief, a further purpose and objective of this conspiracy, agreement and plan is, by gaining control of Armour, to attempt to manipulate and use the current borrowing power of Armour to finance the acquisition of control by the conspirators of other companies. The following acts, among others, have so far occurred in furtherance of this conspiracy, agreement and plan.

13. On information and belief, on or about August 2, 1968, General Host and other defendants engaged in discussions with certain individuals and institutions regarding the financing of the purchase and option to purchase 750,000 shares of Armour stock from Gulf & Western Industries, Inc. ("Culf & Western"). Pursuant to a Note Purchase Agreement with the individuals and institutions dated "as of" August 2, 1963, General Host agreed to place privately with such persons, at face value, an aggregate of up to \$50,000,000 in principal amount of its 5% Convertible Subordinate Notes due

June 15, 1988. convertible into shares of the common stock of General Host at the initial rate of \$27.00 per share.

- of a partnership, to purchase Convertible Subordinate Notes of General Host in the amounts of \$1,000,000 and \$500,000, respectively, and defendant Allen & Company agreed to purchase such Notes in the amount of \$1,000,000. In addition, General Host agreed to pay approximately \$562,500 each to defendant Allen & Company Incorporated and defendant Kleiner, Bell & Co., Incorporated for arranging the merchandising and placement of the Notes.
- an agreement with Gulf & Western whereby General Host purchased from Gulf & Western 150,000 shares of the common stock of Armour at \$56.00 per share, received an option to purchase from Gulf & Western, at any time prior to November 6, 1968, an additional 600,000 shares of Armour common stock at \$60.00 per share, and issued to Gulf & Western a ten-year warrant to purchase 175,000 shares of General Host common stock at \$30.00 per share with explicit protection to the warrant holder against dilution arising out of the future issuance of additional shares or other equity securities for property or services at less than \$30.00 per share.
- 16. On or about September 13, 1968, General Host gave notice of a Special Meeting of Stockholders to be held at the Waldorf-Astoria Hotel on October 10, 1968, for the purpose of voting upon proposals
  - (a) to approve issuance of up to 1,851,851 shares of common stock of General Host upon conversion of Notes to be issued by the corporation pursuant to the Note Purchase Agreement dated August 2, 1968, as alleged hereinabove, and

developments" although General Host had not entered

Stockholders was a necessary step in the continuing scheme to

defraud Armour and its shareholders and to acquire a con-

trolling stock interest in Armour, and the 5,000,000 shares

additionally authorized were intended to be issued in sub-

sequent transactions to acquire additional shares of common

ment to the Proxy Statement was mailed to General Host share-

holders of record. The shareholders were thereby informed

19. Subsequent to September 13, 1968, a Supple-

18. On information and belief, contrary to the

into "any arrangement" to obtain the financing

necessary to substantially increase its invest-

representations of defendants, the Special Meeting of

ment.

stock of Armour.

that the Note parameter Agreement dated August 2, 1968 had been amended to require that the proceeds of the sale of the Notes be used to exercise the option granted by Gulf & Western.

- 20. On October 10, 1968, the shareholders of General Host voted approval of the two propositions submitted to them, namely, to approve issuance of up to 1,851,851 shares of common stock upon conversion of the 5% Convertible Subordinate Notes and to increase the authorized shares of common stock from 5,000,000 to 10,000,000 shares.
- 21. Thereafter, during October, 1968, General Host exercised its option to acquire 600,000 shares of Armour from Gulf & Western, thereby becoming the largest single share-holder in Armour, with approximately 12.5% of the common stock issued and outstanding.
- 22. In order to reflect the dilution resulting from the issuance in October, 1968, of the General Host Convertible Subordinate Notes, the number of shares issuable to Gulf & Western under its warrant granted in August, 1968, was increased from 175,000 shares to 184,405 shares of General Host and the purchase price thereof reduced from \$30.00 per share to \$28.47 per share.
- Host purchased in eleven transactions on the open market a total of 250,000 shares of Armour financed by approximately \$700,000 from available cash of General Host, and \$14,000,000 from further borrowings under a loan agreement dated November 1, 1968, thereby becoming the owner of approximately 16.5% of Armour common stock issued and outstanding. The loan agreement made with a group of banks provides that General Host may borrow up to \$20,000,000 on or before March 31, 1969 to purchase common stock of Armour. The

borrowings will bear interest at the rate of 1% above the prime rate, with prepayment provisions, and all to be repaid by November 1, 1973. In a statement filed by General Host with Armour pursuant to Rule 13(d) of Section 13 of the Securities Exchange Act of 1934, General Host stated that it had purchased the 250,000 shares of Armour stock "to increase its investment in such company."

- dates unknown to plaintiffs, the United States Department of Justice "indicated to General [Host] that in its view the acquisition of control of Armour by General [Host] under present circumstances would violate" the terms of the Packers Antitrust Consent Decree of 1920, to which Armour is subject, which forbids Armour from engaging in certain businesses, in many of which businesses General Host is engaged.
- as an integral part of their scheme to defraud Armour and its stockholders, conspired and formulated plans for General Host to make to the shareholders of Armour common stock an exc. nge offer of General Host securities in exchange for shares of Armour common stock. In furtherance of these plans, on or about December 12, 1968, General Host made a demand upon Armour for the common stockholder list of Armour and on or about December 13, 1968, General Host made a demand upon Armour for its financial statements for the fiscal year ending November 2, 1968.
- 26. Thereafter, in furtherance of the conspiracy, agreement and plan which commenced many months before, the defendants issued a proxy statement dated December 27, 1968, to the stockholders of General Host seeking
  - (a) authorization for an exchange offer to the shareholders of common stock of Armour; and

(b) the increase in the authorized common stock of General Host from 10,000,000 shares to 30,000,000 shares.

For this purpose a Special Meeting of Stockholders of General Host was called for January 20, 1969. By letters to its stockholders dated January 9 and 14, 1969, General Host purported to supplement the information and the representation made by it in the proxy statement of December 27, 1968.

- 27. On or about December 30, 1968, as a further step in the conspiracy, agreement and plan, defendants filed with the Securities and Exchange Commission a Registration Statement (Form S-1) seeking to register the General Host debentures and warrants which it proposed to offer to the shareholders of the common stock of Armour. The terms of the proposed offer are stated to be that for each tendered share of Armour common stock there will be issued \$60.00 principal amount of 7% Subordinated Debentures of General Host due January 31, 1994 and 1 1/2 warrants expiring January 31, 1979 to purchase one share of General Host common stock at \$45.00 per share.
  - on December 27, 1968 and the Registration Statement filed on December 30, 1968, it appears that defendants want General Host to buy up to 83.5% of the common stock of Armour for \$346,000,000, but that General Host does not have the money to do this and has no prospect of getting the money unless it is from the other stockholders of Armour. General Host itself has an equity of only \$37,500,000 and already owes its creditors \$108,000,000. Thus it proposes to borrow the entire \$346,000,000 from the stockholders of Armour.
  - 29. The method by which and the terms upon which General Host by its proposed exchange offer seeks to borrow

up to \$340,000,000 from the stockholders of Armour are as follows:

- (a) issue unsecured debentures to the Armour stockholicas:
- (b) provide that the debentures are not convertible;
- (c) walls no parment of principal upon the debentures for 32 years when the entire principal amount of up to 331,000,000 will fall due;
- (d) fix the interest rate at 7% (provided the money is available to make the interest payments), a rate sussiantially less than General Host would have to pay if it could raise such funds from the public;
- (e) substrictions the debentures under one of the broadess is ganable definitions of senior indebtedness:
- (f) produced protective covenants to restrict divisions, other debt, leans to others, investments in others, minimum working capital or otherwise.
- and its exchange of Par proposes to give the lenders 10-year warrants exercisable to 345.00 par share which are in striking constant to the marrants granted to Gulf & Western in August and October, 1965 (350.47 per share), and to the conversations of General Marrants are very state purchaser of General Marrants as a very state parameter in October, 1968 (initially \$27.500 per share).
- in the Ceneral Heat as stringe offer, the present stockholders of Armour, who would become subgridinate creditors of General

Host through their holding of debentures, would have to contribute \$380,500,000 to the capital of General Host within the next 10 years, and this would be 15 years before the \$340,000,000 which they had lent General Host in connection with the debentures would be repayable to them.

- of the exchange offer, the stockholders of Armour will have no voice in the affairs of General Host until they exercise their warrants and make the additional contributions to the capital of General Host of up to \$389,500,000. Under this scheme the former stockholders of Armour would be given the hollow opportunity to triple the size of General Host's equity, while receiving in exchange only half the stock of General Host, and giving General Host the funds to retire debts which it could not otherwise retire.
- 33. The enchange offer which defendants seek to have General Host make to the stockholders of Armour is grossly inequitable and threatens to work a fraud of gross proportions upon the stockholders of Armour by reason of the foregoing and, in particular, because of the following:
  - (a) Based upon the projected cash flow of General Host, the net tangible assets of General Host after the exchange offer, and the terms of the debentures, it is unlikely that General Host will be able to pay principal and interest on the debentures when due;
  - (a) In view of the artificially inflated market-price-to-carnings ratio, the distorted and unfair share in the tangible net assets of General Heat of tained by exercising the warrants and the lack of meaningful anti-dilution protection, the value of the warrants is completely illusory; and

(c) The Federal income tax consequences of the exchange offer to stockholders of Armour could be highly adverse.

and plan and to promote this grossly inequitable and deceitful exchange offer, defendants have sponsored, launched and energetically pushed an intensive merchandising campaign among the investing public by handsomely paid investment bankers and public relations advisers and by incentive payments to soliciting dealers. Defendants Allen & Company Incorporated and Kleiner, Bell & Co., Incorporated each is to receive upto approximately \$1,000,000 in fees for their part in this merchandising effort. In addition, up to approximately \$5,500,000 would go to the soliciting dealers for their efforts in selling the exchange offer to Armour shareholders.

35. The General Host proxy statement of December 27, 1968, and the General Host Registration Statement of December 30, 1968, both acknowledge that the United States Department of Justice "has indicated to General [Host] that in its view the acquisition of control of Armour by General [Host] under present circumstances would violate" the terms of the Packers Antitrust Consent Decree of 1920 to which Armour is subject, which forbids Armour from engaging in certain businesses, in many of which businesses General Host is engaged; and that it may therefore become necessary or desirable or expedient for General Host "to modify, dispose of, or agree to dispose of, a substantial part of its assets and businesses" and "to somewhat modify the product line carried in its convenience stores." The statements of pro forma combined income and book value set forth in the General Host proxy statement and Registration Statement, however,

fail to include any indication of what the financial condition of the combined entity would be should General Host take such indicated steps to modify, dispose of, or agree to dispose of such substantial part of its assets and businesses. Nor do the proxy statement and Registration Statement indicate in what respect the product line carried in General Host's convenience stores could be modified to conform with the requirements of the Packers Antitrust Consent Decree and still permit it to continue to conduct the business of such stores.

- General Host Registration Statement both state that General Host's counsel has expressed no opinion with respect to the tax consequences to an Armour shareholder of any original issue discount on the debentures to be offered (meaning a discount in excess of 6 1/4% of the face amount of the debentures assuming a 25-year maturity), and fail to state that to the extent any gain realized by a holder from the sale or payment of the debentures exceeds his tax basis for the debentures, he will be subject to ordinary income tax rather than capital gain tax.
- 37. The General Host proxy statement and the General Host Registration Statement both state that General Host reserves the right to acquire Armour shares subsequent to the exchange of the by means of purchase, further exchanges or merger. The proxy statement also states that approval of the exchange offer shall be deemed to constitute approval of any such transaction. Neither the proxy statement nor the Registration Statement indicates, however, the projected source of funds to service such newly incurred indebtedness, and specifically fails to indicate that so long as any public shareholder of Armour remains, neither

the assets nor the income nor the cash flow of Armour could be used by General Host to service its own indebtedness.

- 38. The General Host proxy statement and the General Host Registration Statement both fail to indicate that the exercise of the warrants offered in the exchange offer would result in a major dilution of the per-share earnings of General Host common stock.
- General Host Registration Statement both fail to point out that the debentures to be offered by General Host pursuant to the exchange offer would be subordinate to all of the other indebtedness of both corporations should they be merged into a single corporation. The Registration Statement further fails to point out that the outstanding Armour \$4.75 preferred stock shown in the capitalization table will be senior to all indebtedness of General Host, insofar as Armour's assets are concerned, until and unless the two corporations are merged into a single corporation.
  - 40. On January 20, 1969, the shareholders of General Host voted approval of the two propositions submitted to them, namely, to authorize the exchange offer to be made to the shareholders of Armour and to increase the authorized shares of common stock from 10,000,000 to 30,000,000 shares.

FIRST CLAIM,
FOR VIOLATION OF SECTION 14(e)
OF THE SECURITIES EXCHANGE
ACT OF 1934

41. From a date unknown to plaintiffs, but at least as early as August, 1968, defendant General Host has, by instrumentalities of interstate commerce, engaged in fraudulent and deceptive practices, and has made untrue statements

of material facts and omitted to state material facts necessary to render statements made not misleading in the light of the circumstances under which they were made, all in connection with a tender offer requests and invitations for tenders, and solicitation of security holders in favor of such offer, requests and invitations, by means of the acts alleged in paragraphs 12 through 40 of this Complaint, in continuing violation of law under Section 14(e) of the Securities Exchange Act of 1934, as amended (15 U.S.C. § 78n(e)).

SECOND CLAIM,

FOR VIOLATION OF SECTION 10(b)

OF THE SECURITIES EXCHANGE

ACT OF 1934

AND RULE 10b-5 OF THE

GENERAL RULES AND REGULATIONS

42. From a date unknown to plaintiffs, but at least as early as August, 1968, defendant General Host, by the use of means or instrumentalities of interstate commerce or of the mails, has employed devices, schemes and artifices to defraud, has made untrue statements of material facts and omitted to state material facts necessary to render statements made not misleading, and has engaged in acts, practices and courses of business which do now and will continue to operate as a fraud or deceit upon holders of the common stock of Armour, in connection with the purchase or sale of securities, by means of the acts alleged in paragraphs 12 through 40 of this Complaint, in continuing violation of law under Section 10(b) of the Securities Exchange Act of 1934, as amended (15 U.S.C. § 78j(b)), and Rule 10b-5 thereunder (17 C.F.R. § 240.10b-5).

# THIRD CLAIM, FOR VIOLATION OF SECTION 17(a) OF THE SECURITIES ACT OF 1933

least as early as August, 1968, defendant General Host, by the use of means or instruments of transportation or communication in interstate commerce or by the use of the mails, has, in the offer for sale of courities of General Host, employed devices, schemes and artifices to defraud, and engaged in transactions, practices and courses of business which do now and will continue to operate as a fraud or deceit upon holders of the common stock of Armour, by means of the acts alleged in paragraphs 12 through 40 of this Complaint, in continuing violation on law under Section 17(a) of the Securities Act of 1933, as amended (15 U.S.C. § 77q(a)).

# FOR VIOLATION OF SECTION 7(a) OF THE INVESTMENT COMPANY ACT OF 1940

44. Under the terms of Section 3(a)(3) of the Investment Company Act of 1940, as amended (15 U.S.C. 70a-3), General Host is now and has been since at least

October, 1968, an investment company. Section 7(a) of said Act (15 U.S.C. § 80a-7) prohibits any investment company, unless registered as an investment company with the Securities and Exchange Commission, from directly or indirectly offering for sale, selling or delivering after sale, by the use of the mails or any means or instrumentality of interstate commerce, any security or interest in a security; from directly or indirectly purchasing, redeeming, retiring or otherwise acquiring or attempting to acquire, by use of the

mails or any means or instrumentality of interstate commerce, any security or any interest in a security; from engaging in any business in interstate commerce; and from controlling any company which is engaged in any business in interstate commerce. General Host, since October, 1968, has committed all these acts, in continuing violation of Section 7(a) of said Act, by means of the acts alleged in paragraphs 12 through 40 of this Complaint.

45. As an investment company, pursuant to the terms of said Section 3(a)(3), General Host is prohibited under Section 18(a)(1)(A) and Section 18(d) from issuing either the 7% subordinated debentures or the warrants which it proposes to offer to shareholders of Armour pursuant to its exchange offer, and therefore threatens violation of Sections 18(a)(1)(A) and 18(d) which will injure any person who tenders shares of Armour in exchange for said debentures and warrants, since such debentures and warrants will have been illegally issued.

#### Irreparable Injury to Plaintiffs

- scheme and the deceit, obscurity and incompleteness of the data provided, coupled with a vast merchandising effort by well-paid solicitors, the shareholders of Armour are threatened with the surrender of their valuable property and voting rights in exchange for grossly inequitable consideration.

  Moreover, plaintiff shareholders will be injured by receiving illegally issued securities in exchange for their Armour stock.
- 47. The continued solicitation of Armour shareholders by defendants pursuant to General Host's exchange

offer and the continued attempted effectuation of the plan to acquire Armour will in addition adversely affect, to the continuing detriment of Armour and its shareholders, the employees of Armour in the pursuit of their duties, the formulation and effectuation of plans to carry forward the ordinary business of Armour, the credit of Armour and the stability and reliability of Armour stock in the market place.

- 48. Since the business of General Host consists chiefly of activities prohibited by the Packers Antitrust Consent Decree of 1920, the recent activities of General Host threaten to draw Armour into violations of the Packers Antitrust Consent Decree of 1920. If General Host is permitted to assume control of Armour, Armour and the larger enterprise of which it will be an integral part will be engaged, either directly or indirectly, in activities prohibited by the Decree, including the manufacture, sale and distribution of prohibited grocery products. As a result, Armour will be prevented from meeting its obligations under the Decree. Armour and its officers, directors and employees may be subject to sanctions under the Decree, and the value of the investment of Armour shareholders will be imperiled.
- 49. For the reasons, among others, stated above in paragraphs 46 through 48 of this Complaint, plaintiffs will suffer irreparable injury unless defendants be enjoined in accordance with plaintiffs' prayer for relief. Plaintiffs have no adequate remedy at law.

WHEREFORE, plaintiffs demand judgment:

(1) enjoining pendente lite and permanently defendants, their agents, employees, assigns and persons or entities acting in concert or participation with them, directly or indirectly from

- (a) taking my further action to make, to communicate with Armour's shareholders, to publicize, to pursue, or to execute an exchange offer for the common stock of Armour in exchange for General Host Securities,
- (b) tendering or otherwise transferring to General Host any shares acquired in furtherance of their conspiracy, agreement and plan,
- (c) purchasing any additional securities of Armour in furtherance of their conspiracy, agreement and plan,
- (d) voting at any special or general meeting of the shareholders of Armour any shares of Armour stock waned directly or beneficially by defendants or any proxies obtained, in furtherance of their conspiracy, agreement and plan or in favor of any proposed merger or other combination of General Host and Armour or for any other purpose, and
- (e) continuing to prosecute its fraudulent plan, scheme and course of business to acquire control of Armour;
- (2) awarding plaintiffs their costs and disbursements herein, including reasonable attorneys' fees; and
- (3) awarding such other relief as the Court may deem just and proper.

Dated: January 23, 1969

SULLIVAN & CROMWELL

A Member of the Firm

Attorneys for Plaintiffs Armour and Company and McClure Kelley, 48 Wall Street, New York, N. Y. 10005

HAnover 2-2100

City of washington ? ss.:

LEWIS R. MILLER, being duly sworn, deposes and

says:

I am General Counsel of plaintiff Armour and Company. I have read the foregoing Complaint and know the facts set forth therein to be true to my knowledge, except as to the facts stated on information and belief, and as to those facts I believe them to be true.

douis R. Miller

Sworn to before me this

23rd day of January, 1969.

Notary Public

My Commission Expires Musich 31, 1971

### JA11290

DEFENDANTS' EXHIBIT NO. A-42(B):

TRANSCRIPT OF HEARINGS BEFORE HON. EDWARD WEINFELD, ON FEBRUARY 5, 1969

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SOUTHERN DISTRICT COURT FOR DITTERS

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1	JA1134						
2	MR. MANUELUES: 40 minutes before, Mr.						
3	MacCrato						
4	MR. Maccrare: It was the time that						
5	I spoke with each counsel.						
6	MR. LOWENPERS: Before I had a chance						
7	to confer with my client in California or with						
8	emybody at Klaimer, Pall. In fact while core						
9	parties was in Collifornia Recyling my clicken						
1.0	and gapple from Fleiner, Fell in the deputition there						
11	I couldn't confer with them walls you hal so you						
12	Line with that.						
13	THE COURSE Gestleam, this private						
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15	one vay or the other. You gentleson get i'd						
16	of your feelings this morning. letter got for an about						
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18	MR. Marking: May 1 just ust of.						
19	MacCrate a question. Sro you referring when						
20	you say the usuorestan that was corved yout a cay.						
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1.	1hh JA1135 6						
2	MR. MORNES: We have received that.						
3	is there any other memorandum that you have						
4	prepureć?						
5	MR. MaddMARR: We dolivered to you on						
6	January 27th in the chambers of Judge Szyan when						
7	we went before Judge Bryon for a temporary restraining						
3	order on initial perpension, and that is the						
ò	carlier reservandes						
10	THE COSTROL That is the one I had this						
11	morning.						
12	Mil. McAMIN: I acknowledge receipt						
13	of that one. There is no later menerandum, though?						
14	MIL MEGGERES: These ese two manages for						
15	One of January 27th and the one of Releasery 4th.						
15	will crown: Whie Zoich affiliantly or						
17	Mick officavit just handed up is smathing I haven't						
18	seen before. Is this now, and is the Steinbach						
19	assidavit semething now?						
20	MR. Heggenera: Foth of those were served						
21	yesterfoy, your Honer. You will recall that the						
22	noticer was adjourned until this noming and an						
23	eversight on my part, it was not handed up to your						
24	Monor at Cart time.						
25	THE COURS ALL TIGHTS SO Shoot.						
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lent and deceptive practices, and has made whole

1	1hh
2	MR. DUFF: May I ask counsel for the
3	plaintiff to identify what has been served on
4	my client because I am a little behind also. I
5	balieve I have not received a memorandum non the
6	affidavit nor to the best of my knowledge my clicate
7	Could you identify for me or perhaps hand to me
8	what you are serving on us?
9	MR. MacCPATE: Mr. Duff, one of my
10	problems has been to communicate with any
11	representative of Allen & Company and Kleiner, Fell
12	to make certain that you were informed. We have
13	delivered to your office the memoranda, all of
14	the court papare, and I brought an extra set
15	both for you and Mr. Lowenfals in court this normis
16	and it is on the table before you, a set of papers
17	that have been served this week.
18	MR. DOFF: Your Honor, I semiously
19	I do not wish to be characterized in this way of
20	all. I was available at 9:15 in my office this
2.1	morning whom Mr. Merdrate colleins and suggested
22	for the first time that he was going to move for
23	an injunction against our client. That was too
24	first that I knew of it and I have always hear
25	available and I have son base cary. I do object
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2	to any characterization of my inability to be					
3	reached.					
1	MR. HacCRATE: Your Honor, I must take					
5	exception to my brother's statement. On Honday					
6	as soon as I was apprised by your Honox's charbers					
7	as to when we would be heard, I called Mr. Chin					
8	of Hi Duff's firm, in the shuence of I'm. Duff, and					
9	apprised him that I was coming to the country was					
)	with the application for a temporary renameding					
1	order. Mr. Chin said he would consult with					
12	his colleagues in the Moltsman, Wise & Discount Firm					
13	and decide whether or not they would attend. I					
14	have no vey of forcing them to come to a proventage					
15	Furthermore, the method for a preliminary dependation					
16	which is as injunction directed against the Lavestman					
17	bankers as well as egainot Ceneral Most has been					
18	served upon them and they have had that Her more					
19	ther a week. So that the fact that we have specified					
20	a 100(5) relief within this work, of which they					
21	were apprised on Monday effectment and coind to					
27	appear before your Honor, doson't change the Sant					
23	that at every stage there has been communication					
24	emong Cofenitates commonland they have all the					
25	own choice definited from participation.					

FOLEY SQUARE N. Y., D. Y. 10007 Trans tent CORLAND 700

100

2	MA., MARK: Your Honor
3	MR. Meduic: I take exception to that
4	statement insofar as General Most is concerned.
5	MR. MERR: I do not suggest that:
6	we have not been informed of may preceeding and
7	we do not feel prejudiced in any way by not being
3	so indomed. I do suppost that my textbook
9	knowledge of procedure suggerie west decreased for
10	rather than telephone calls in the proper may be
11	inform both coursel and pention of the south an
12	to he belon. In have messived toke those on a,
13	we have solden received papers in time for is to
14	gespectors.
:5	MR. EGGGLES: Le compact for Locate,
15	Ball I would file to possed He. Antis a star and
17	want for very that invertebly the bologic one and a
13	come 30 or 40 mirrors before councel is see 7 ht
19	run dem here to your Euros and who achieve
23	and make augumente. There is no this to contex
21	with chients, no them to roud Connected, as both
23	to Mink or propers on expendit, state onto the
23	has been the postern of this (line, how and
2 !	the trul. Street Sections, part liver, were star-
25	dega laman daga men namen a didente telah

Visition of Fig. 12 to 12 to 22 to 2

	1hh JA1139 10
2	just wasn't abla
3	THE COUNT: You don't mean they served
4	the Wall Street Journal, you mean they issued
5	a press release? Is that what you monn?
6	MR. MANUFFIS: Yos, Sir. I was
7	not able to got the papers until some time late
3	in the monetor the Wall Street Journel had
9	corried the story.
10	MR. Macrones: One telephone call to
11	ma from In. Lowenfold indicating that the member.
12	had not you served popers upon him would have
13	brought in a minute the pagers, and I sent up
14	by hand dollaropy to his oddies before to words
15	eater to opposization copies of the emighed.
16	payons. They have hack apprised on those chings
17	as we have gone along.
13	ER. LONG. TORK HOUSE, I VORLE
19	just like to say that is not so, and I think the
20	fact that the popone were brought here sad planted
21	before no now, it nows to me, if counsel were
22	so conflicent that I and received everything, he
23	would not have tried the time to get every thing

that you are not are by to produce now? 75

2.1

ACTUAL CONTRACTOR CONTRACTOR AND AND ASSESSMENT OF THE PROPERTY OF THE PROPERT tion of the term o

THE STATE OF SEL YOUR SCHOOL SECTION

2	MR. LOWEFFELS: No. sir.
3	THE COURT: How that we have disposed
4	of all the preliminaries, can wo go ahead? You
5	know, Mr. MacCrate, because you wore here, that
6	I heard matters up to 8 o'clock last night and
7	I have already informed common that there are
8	only two house today that I den give you on this
9	matter because of pales committeents that a court
10	keep, court commitments. You have just tober
11	this time that I have allowed you, so let's got
12	Sour to bread Enclin.
13	im. Encomeza: The complaint is this
14 .	act of relation to a common of the relation and a contract
15	to an attempt to take control of Femour that to
1.5	subside has been midles ding and decaptive, in
17	affect if out in intens, a plan by which tribed
13	of Execut would be taken through Emeral Hose,
19	a cragany one-touch the sine of Armour, first the
20	principal actors in this course of confact b we
21	been Mr. Pistoll, Mr. Durt Wieler and Mr. E wood
22	Allen, Jr. It conscional in Figuret, 1998, and
23	we have through uptil the beginning of Second of
24	1965, a newloo of acquiriditions of America obort
25	variously distanced so that by the hopistics of
	propries as a control Court to a control of the Court of

1	1hh	
A.	Tun	Į

L	JA1141						
2	December, 1968, Comoral Host held the largest block						
3	of Armour stock, signeen and a half per cent, just						
4	over one million shares of stock. The immediate						
5	and specific object of this action is an exchange						
6	offer tendered by Canaral Hook to the stockholders						
7	of Armour of what we nubmit are highly speculative						
8	securities. The SEC has youndered this offer						
9	to become effective without exequate mobile to the						
10	stockholders of Armour as to the speculative						
11	character of those recurities.						
3.2.	We concede that in mangemen appearently						
13	to our objections to the SEC. a great many changes						
10	were wate in the prospectme tetrain its campibal.						
15	filling of the end of December, December 10th, 200 th						
16	date that it become addective, one worth I have bet						
1.7	we do say that the Sallura of the SMS to require						
18	a statement at the outpot of this prospected						
19	as it is done with respect to other highly						
20	speculative issues syprising the offeres of that						
21	charactor of the assautities was export and that this						
2.2	court should intervene to prevent the further						
2.3	solicitation upon the basis of such a prospectue.						
24	THE COULTE Aren't you in the greation						
25	and haven't you have in the vestilies to their the						

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1	ъ	m	18.	١.
λ.	æ			•

## JA1142

. . . . . .

- 2 offerees of whatever your contentions are with
- 3 respect to the nature of the offering?
- 4 Mr. MacCRASS: We have been attempting
- 5 to do that, your Bonon, but it is no substitute
- 6 for a fair and accurate presentation by the offerer.
- 7 TEE COURT: You made, as I read your papers
- 8 and other papers, you outritted briefs to the End.
- e did you not?
- 10 MR. MacCROSM: We have submitted necessaria
- 11 to the SEC, your Espec.
- 12 THE COURT : You subtile boom to, I wished.
- 13 every bine sky les coamissioner in the country.
- 14 He MacChecke We by e mad valid a
- 15 submissions to blue sky commissioners. the blue
- 16 thy one distinct in lilinois has glaced a sect taken
- 17 on the affective in Militaria.
- TID 18 202 COUNT: The organition is that
  - 19 is home torritory sed that was the only state that
  - 20 that trok place.
  - 21 ME. MEGGERAGE Meur Eror, I welcomband
  - 22 that other questions have been redeed. To be jet
  - 23 in a position to report to you or each of he seekes
  - 24 fayer and but the four to that the year about the to the
  - 25 Mur my commissions in Ellinds resulted in a stop

	JA1143
2	order and that wa do not rely upon that before
3	your Honor as the basis for proceeding. But
4	I think that it is an indication of the substance
5	of the position that we are presenting to you.
6	We propose to offer this morning to your Honor
7	the testimony of a partner of Price, Waterhouse
8	and the testimony of a portuer of Westheim
9	& Company in support of this application.
10	In thew of the appartables observed:
11	of those cocuration it has been recessory for
12	the offeror to unfortake one of the most eleb rate
13	selling programs that has ever been undertaken
14	for a moduraby terms? of this chamarter. This
15	are proposing to spend up to mine million Col. axes,
16	which is one-fourth of the not worth of several
17	Most, to order to call this security issue. We
18	addition, they have attempted desponately in order
19	to blow value into this security package, to gat
20	the warrants issued on a when issued basis.
21	In testimony yesterday morning in whis
22	courthouse Mr. Ashton, the president of General
23	Host, told of his repeated telephone conversation
2.4	to the Predict Court Protectings bying to get them
25	to list on a them issued basis so that the
	The state of the s

-	1.5
1	
2	arbitrageurs could promote a market which would
	on rond impact upon the public. On Rondon
3	to your Fonor a temporary restraining
4	order with respect to the purchases of Armour stock.
5	We submit that the purpose of these purchases
6	We submit that the purpose of indicate that
7	of Armour stock is an attempt to indicate that
8	there is a value in this package of securities
	amenda a cash tender that has been mate
9	and tions
1	What did we find in California? We found
1	2 in California that Mieiner, Ball, one of the
	2 in California that landing of a constant, was on
	3. defendance, one of the dealer namegers, was on
	14 both sides of the transactions the seller as the
	ra their bushimony, It. May and be
	the co co and get the: 12 for the
	17 not personally knowledgeable to the matter, reported
	17 not personally knowledge. It was ansolicited, the
	18 that it was unsolidated.
	18 that it was unsolven stock, wert from one Fleiner. 19 25.300 shores of Amour stock, wert from the
	20 Bell emsteman to another. At the deposition the
	and a stood who was the purche lost
	send to disclose either the Estate
	blost to those problems as a
	23 purchaser

24 White was in my poleme, I had a call to 9 children.
25 White morning from compact for chainer, 2 12 to appear

southful norther compact court form.

United System Court Forms.

2	me of the man	of the purchasers	Great American
3	Life Indurance	Company. Now, I	have not had that

- 4 information until this morning. I have not had
- 5 an opportunity to investigate, the implications
- 5 of that. Similarly, the block that was traded
- 7 on the Midwest Stock Exchange was a block of 112,400
- 8 shames, a very, very large black of stock. Davy
- 9 millions of Sellenn of rolus is rolyed. Who is
- 10 soked Mr. Adoben about how he Lorenzd of Close trans-
- ii action and what he had whetfrom it, what his introct
- 12 was in it, his sinterent was both he didn't to be
- 13 emything about it thatil the afternoon of keat fulley.
- 10 and to complicat the facts a man war seems of the torn the
- 15 an ombitohy superside Accomband company, and a
- is the head well expressed our on these the recorder of the force
- 17 con remarkations with he. Book Mishear, Decom a. Cr. St.
- 18 Ball agrin represented the hagen. Again se
- 19 Moir Amondaine Flateer, Ball in Sarad to Finction of
- 20 who the language was. Again this receipt the bear by
- 21 You thi filmet time True its was the stock late ? ...
- 22 Miles En terminate Congression
- 23 the limits Sid say in life degunition protoces
- 24 morning that he had beend thete also pure sees
- 25 the the General Amenda is the Making the pay, in a co-

2 couldn't remember where he had learned this

- 3 information. He talked to so many people he
- 4 was unable to identify where that information
- 5 had come to him. But the transfer of a block of
- 6 that pize the day this offer is started, and the
- 7 fact that the president of General Host when
- 8 ha speaks with the head of Wleiner, Bell would have
- 9 no discursion shout this, I freely reques as
- 10 incredible.
- 11 Was CHURT: What is the implication
- 12 that you seed abould be drown from the acquisition
- 13 of those shares by those two companies? The
- 14 tree framminee companion.
- 15 MR. MIGGRACES MORE MODER, I subject that
- is they are solicited transactions.
- 17 2998 COLUMN That is your preaf of Att
- 18 ME. MacCRAME At the grascut time
- 19 I only have discommunication proof because I wen
- 20 prayontof from Angulring of Floinor, Well in
- 21 Chlisomeia as to cities who the soller on the buyer
- 22 was off the Paveis a Coast Matchenge Coassaction
- 23 for 25,000 sheres, and in the case of the Midwest
- 24 transaction whose they represented early the layer,
- 25 agric un tere not permitted to la polici es to electrici

i rmh	
A ENGE	

#### JA1147

2	haver	War.	and	23	to	thet	transaction.	20	that
ALC:	DUVELL	WUG	and do	CLES	CO	God I was to	Pre Colliner and parents		Sec. of

- 3. We have not been in a position until this morning
- 4 to pursue that aspect further. I must say that
- 5 I do not have at this moment any additional
- 6 evidence with respect to those transactions than
- 7 I have outlined in my statement to you. I would
- 8 offer in evidence the Lahton deposition and the
- 9 Kleiner, Bell deposition which is what I have to
- 10 this time, and that is that I propose to tendar --
- 11 THE COURT: It seems to me, I think
- 12 you are baing vory from in your statement, elthough
- 13 it seems to me you would have to have more with
- 14 respect to these transactions if you wanted the
- 15 Court to draw any inforcace with respect to them.
- 16 Mr. Maddedill: Your Honor, under
- 17 10B(6) there is this restraint upon the dealer semagous:
- 18 and upon Conomul Host.
- 19 THE COURTS I BM: EWERS OF that. You
- 20 called my attention to that the other day. But
- 21 there has get to be factual support for your
- 22 contention.
- 23 MM. Haddensen: When you have Elicinos.
- 24 pall op both cidos of a transpeties of a block of
- 25 America of this size and they reduce to give

United Strice Court House

FOLCY SQUADE, M. Y. M. Y. 10507 TRESCHOOLS CONTROL V 5087

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#### JA1148

				9723	1 10
2	buyer was and	as to	that trans	action. Eo	that
3	we have not b	een in	a position	until this	morning
4	to pursue tha	t asper	ct further.	I must	eny that

- 5 I do not have at this moment any additional
- 6 evidence with respect to those thansactions than
- 7 I have outlined in my stateme to you. I would
- 8 office in evidence the Relater deposition and the
- 9 Wheimer, Bell deposition which is what I have to
- 10 this time, and that in what I propose to tender ---
- 11 MIN COUNTY HE same to me, Z think
- 12 you are healing very fat it in your stateman, although
- 13 it seems to we you would have to have none with
- 14 Radio et to there thereenions if you wished the
- 15 Count to dues any inforcace with respect to them.
- 16 Mt., Macoulatian Wound Moon, madex
- 17 100(8) there is this costraint open the double's management
- 18 and open deroral Hiet.
- 19 TIM COURSE I FOR COMERS OF their. You
- 20 called my absention to that the other day. But
- 21 them has got to be removed capquart for your
- 22 contention.
- 23 Mil Maggirand: Vacto you have the hack-
- 24 Fall of bott sides of a improvetion of a lance of
- 25 Zanzar charge of thee circ and they we have to give

COUNTY OF THE COURT HOUSE COME TO SERVICE OUT TO THE COURT HOUSE COME TO THE COURT OF THE COURT

TER COURS: Refere you go shead through, 22

in an unrelated nation, unrelated to whit you are 23

exidencing powers? to one law genter or can be be 24

this onther actus, will cameral come up as I the

BOUTHELDS PROPERTY COURSE STRATE CO. Distribusion Gour February COMPLETE OF THE SECTION OF A PROPERTY OF A SECTION OF THE SECTION

2	record for a moment?
3	(Discussion at the banch off the record.)
4	MR. MacCHANN: The most recent stop,
	your Honor, with respect to that I would describe
5.	
б	ca try to blow welker into this package of securities
7	was the announcement by General Most on Monday
8	that they had acquired on Friday, the first day
9	of the offer, 700,000 chanes of theore.
10	Hr. Achton in his testimony yeshardry
11	morning confirmed wint we had appear things by
12	attempts to got copies of the prospectua to Allera
13	& Corpany and at Eleisar, Eall, that the prospectus
14	was not generally a millionia on four Delday, Por
15	im. Ashton cald come tame sout out by bond dols /oug
16	late Trivity. 700,000 serves tandowed on the
17	basis is electly a immension that has been got
18	together without the prospectua braming offective
19	so that thems can be an empureement immediately
20	following the offer that it has had this great
21	44
22	
23	
24	•
25	-
	court has the new country washing

2 one very late on Saturday, as I recall. I had

...

- 3 requested it at the deposition. I continued
- 4 my request. This whole development step by step
- 5 of an attempt to communicate that there is here
- 6 a value in this security package I submit is a
- 7 deception that is being directed to the public. I
- 8 would like to offer at this time the deposition of
- 9 Mr. Adreon on January 25th and on Selectory dia-
- 10 I would like to affect the deposition of Ht. Oh m.
- no modes asw delicar seems laceness to mellowate token on
- 12 Candary Class.
- 13 I would like to offer the daposition of
- 14 Ellen a toppony and Idlan & Company, Lag , by
- 15 Milton Filens and Mr. UsDowall, and I would all a
- 16 to only the deposition of Fiction, Loll a tag at,
- 17 Inc., by Dr. Falsh Shagdro. Wese Merosichon b. ve
- 18 not been subcombed, due to the rapidity with which
- 19 we have been yespecially those hear't been ear occasion
- 20 for that, so I would have be injulie that has commend.
- 21 have dijection to that submission.
- 22 MR. McAMIS: On behalf of Gereval Bost.
- 23 your Roner, I will wrive any objection or that pround
- 24 and squar that the depositions of an office is
- 27 Mr. Adico and An. Flynn, May be addiced, by

Charge Cavity Court For 3

FRIEN SQUARE, IL C. N. Y. 11 307 Treesant Commercial an

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# JA1152

2	far	ន្តផ	ew	exo	concerns
2	far	Q.G	W3	Come 12	Concount

- IM. DUFF: Your Monor, I will make the 3
- same offer on behalf of Allen & Company and
- Allen & Company, Inc.
- MR. LOWENTELS: I will make the same 6
- offer, your Eener, on behalf of Kleiber, Bell, of
- Mr. Shapiro.
- THE COURS: I have the Agarda degrations.
- Actually it is attached to the opposing pugara 10
- sthmitted by General Fort. 11
- MR. Morning: With respect to thet. that 12
- is the Siret Achter deponition. 13
- May CHARLE Shop I times you be seen 1.4
- give re a completed copy. I think this in the 15
- deposition of the controller of Constal Party . The 15
- is his news? 17
- MEL MERMIC: Mr. Glynn, your Would. Thek 18
- is one of those that he offered. 19
- MIN COUNTS New many pages do those 20
- totally 21
- Mr. Eactions: I haven't had time to 22
- add then, your Boron. 23
- this country I was afairly aways thing. T 24
- hogo you dun't outroit no to much novon, edgle benefited 25 ECANTERIAL MEXISON CO MER ECHOLINE SE

the pain & tires Court book

The property Collection of the de-FOLEY SOURCE, M. M. E. S. 16007

	1 .	1ha 2
		JA1153
	2	pages in about a half hour, or so.
	3	MR. MacCHATE: I don't believe it is
	4	nearly that number of pages. I hand your Monor
	\$	the deposition of Mr. Ashton of January 29th, a
	6	second volume of Pabruary Will.
	7	THE COURT: Take them one at a time
	8	and we will mark them as exhibite.
	9	(Plaintifus' Exhibit à ressived à
	10	evidence.)
	11	THE COURS: That is the Ashton deposition
	12	completing of hear many pages?
	13	(Plaintiffa' Edibit 2 received is
	14	wwiderage.)
	15	um counts Considing of 210 years.
	16	What is the achton cubibits. That is the way were
	17	MR. MROCHARE I subalt the Capeation
	13	of John P. Glyan, the controller of General dest.
	19	dated Jamesry 31, 1989, consisting of 88 yages.
	20	(Plaintimin' Fabilit 3 received in
XX	21	evideran.)

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. RR. Mactilliz: I so with the digolithion 22

of Allen & Company and Allen & Company, Inc., by 23

Million Filens and Diles S. Nolows) to Jacus y 31, 2.1

2.5 1960, of 9" pages.

> SOUTHERN COMMON TOOLIGE FOR STORES Unite GYATES COURT OF ME Potey Squiar, M. Y. C. Y. 10307 TRANS CONTENT WIE 3

SOUTHERN OF THEY COURT OF STATERS UNNUE AWARD COLE, MACHE Foler Propert N. Y., to Y. 1997

Т2	2	MR. MacCRATE: YourFonor, the response
	3	to our claim has boon that we have been guilty
	4	of laches in the institution of this action.
	5	As has already been noted, we ware indeed objecting
	6	to what the defendants were seeking to do and
	7	making our objections known to the Securities and
	3	Exchange Commission.
	()	The succided of General Rost did
	10	not approve the cochange office until the fitth of
	11	Septembry. If we had come in prior to that time
	12	and with the regintration statement not yes
	13	effective, we would have indeed been told we wante
	14	pushedurs. To were sociled to coruse h tole
	15	situation. We promptly, following the spectal
	16	hy two starcholders on the 27h, filed his complain
	17	or the 23rd of Facuary. I subsit that it.
	18	was not only the earliest time that we could properly
	19	bave done so, but it was indeed the appropriate time
	20	I would like at this time to call Mr. John Wok,
	21	a profess of Frien, Waterhouse or my first sites.
	22	ME. McMES: Your Bonce, may I ke
	23	heard before any eral destineny is taken?
	24	and to be beard becomes I bolling that in one;
	25	of the Antensions that pladating has proceed to here,

SCUTHERIT CHAIRING COURT I GEORGE S
UNITED STATES COURT HOUSE
FOLEY SQUEEN N. Y., 15, Y. 10007 YE. Probe. COmputer 14 5 0

	JA1130 .	
2	if your Monor will hear argument, it may turn out	
3	that there will be no occasion for the taking	
4	of oral testimony on this motion for a preliminary	
5	injunction against our exchange offer at this time,	
6	and that is why I request the opportunity to	
7	be heard. Mr. MacCrate has indicated that there	
8	are actually two motions before the Court, one	
9	respecting the carbonge offer and the other	
10	respecting an isolated purchase of a block of	
11	Armour stock last Briday which allegedly violates	
12	108(6) and I intend to restrict my argument to	
13	the first of these motions.	
14	The Simb thing to be toked, your Euror.	
15	about this emchange offer is that it is a contested	
15	offer. There are now two companies competent	
17	for theres of stock of Amour. Our client, Canoral	
13	East Corporation, is one of these companies. The	
19	Grayhound Corporation is the other. The Grayhound	
20	Comperation has made a cach tender offer to the	
21	holders of Ammour stock. Originally the offer	
22	was announced on the broad tags on Monday,	
23	January 27th, which happened to ke the came day	
2.4	that plaistiffs in this action sought a tomportury	
25	restraining order against caneval Bont's offer	
	The state of the s	

COUTHERN DISTRICT COURT ADEA WERE UNNED STATES COURS House FOLIX SQUARE, N. Y., N. Y. 10007 THE STORE CONTAINER 7-030.)

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1	Ja1157	
2.	before Judge Eryan and, as Mr. MacCrate has stated,	
3	that application was denied.	
4	According to the original terms, Greyhound	
5	was offering 665 cash for each share of Armour	
6	tendered to it and the expiration date of the	
7	offer was first soid to be February 7th.	
8	THE COUNTY Wast is it, the 10th now?	
9	IR. MCTITE: You, your Monor.	
10	TEN COURT: What is the date of	
11	empiration of the Ganoral Most offer?	-
12	MR. MONING: Most Middy, Jebraary 34th,	
13	your Monor.	
14	Past work Ganeral Hosk's register ion	
15	statement became offective. If I may take	
16	a somme, I will just employing by way of andeground,	
17	that Constal Hook's, in donberst to Grayhoud,	
18	offering a combination of warmante and debutters	1
19	to Amoun ateckholders. Therefore, since it	
20	was a paper offer nather than a cosh offer, General	
21	Hose was required to file a registration meterons.	
22	Meither of these securither has been tested by	
23	Conoral Eost in the past. These are new securities	
24	and a regintration otoberont ver file with the	
25	Secarities and Endungo Commission on December 30, 1981	

COUTSTAND COMPRESS CONTRACT REPORTED UNITED STATES GUDER For SE POLITY SOUNDS, IL V., N. V. 10007 Telephones Comment 7.4 1 5

FOLSY SOUARD, N. Y., N. Y. 10007 TECHNICAL CONTRACT 7- 25 %

# JA1159

2									
4		61:73 TO	COTTONS.	4,500 00 20	1	4-2-0	substance	000	1-2-0
	,	200	- Car	1.2 GA No.	and a	C11C1	EUDECADO	C13;	2113

- 3 smondmont?
- 4 MR. McBMIS: Well, there were various
- 5 changes --
- 6 WHE COURT: And there too many to set forth
- 7 right now?
- 8 MD. McDivie: Designally the change of
- 9 bottocc mreniters proper I had managers public !
- 10 was a change in the number of warmants that State of
- 11 Foot was offering to the stortholders of Almour.
- 13 An the faul was originally arran Joseph ---
- 13 TARR COURT: It was one and a health ---
- 14: 270. 7002170: Van talt : 1.1.12: 1.10 talt
- is to puvolinoo Caronal First descent enech to \$49, and this
- 16 in two and a lake maramas to preside a set the serve
- 17 was the books change between each baset sealous & cod
- 18 chandwest number 2 and, as I say, it became offerthis
- 19 on Convery 30th.
- 20 MR. Macochia: Work Chor, there are
- 21 pay changes, as ite. Secole his vis. Con chief
- 22 The most deportant change would be a charge in a .
- 23 becake taken of the office, but I in the ve show that
- 24 pro otaer aktogem of algorification or et moder :
- 15 Delidovo (Ant it is eppropriate the time the sec-

Party base a track of the form of the

2000

	JA1161
2	prospectus which is part of the registration statement
3	declared effective by the commission.
4	The change appears, the first time,
5	I believe, on page 3. It was detendined on
6	January 31, 1939, by the executive committee of
7	General Host, and Mr. McGrath went into this with
8	in. Ashton and his deposition yenterday, that
9	the offer total be changed slightly, as folly.or
10	I am quoting from page 3, "Whe principal acoust
11	of Conerel Rost Caboobures may be applied to
12	payment of the energies price of his wonder's
13	regardless of the thea market value of the debepture .
14	West outside that is imposed of 8 m 040
15	62.3 ?
16	Mil. Recards That the Enter Alle.
17	therete the only very regardy could commise tee
18	warrant was to pay \$40 cash.
19	THE COURS: And waster this they can turn
20	ever debestudes?
21	MIL MODERS: New wir, ob the force
22	veta: That change two charged could which the
23	etain of the sac and is incompanted in The
2.4	prospetus which is actually to by used
25	THE CARRY THE THE TALK OF A CHECK OF STREET

1	rmii JA1162
2	date of the registration statement itself.
3	January 30th?
4	MR. McAMMS: Correct, your Honor.
5	THE COURT: Then there are two separate
6	amendments?
7	MR. McAMIS: No. your Echor. The original
8	preliminary prospectus was filed December 20th.
9	The only effective registration statement, bossver,
10	is that contained in amondment number 2. It is
11	the full statement.
12	THE COULT: That is January 300AP
13.	MR. MORMES: You, your Monor.
1.4	
15	the prospectus that I have had reference to as
15	Dafendant Canaral Dost's none achilit in endeamen.
17	THE COURT: Macaivod.
18	(Deforduats' Exhibit B received in
II 19	oridance.)
20	MR. MORMES: YORK MORCE, as I have
21	previously mentioned, this is a contested of her
22	Greyhound got undossay a few days before denoral.
23	Most did. Its offer was first advarcised on
24	Spendag. January 700h. As I say, the elfor was
25	later sweetened a bit during die course of look

FOLES SCHARF, M. Y., N. Y. 10007 TOUGHOURS CONTRACT WISSE

1	E Till

ı	JAII03
2	week. Our offer became effective with the effectiveness
3	of the registration statement and was advertised
4	in the newspapers for the first time last Friday.
5	January 31st. As is customary in these tender
6	offers and exchange offers, they are both that
7	is, both Greyhound's and General Host's offers
8	are for a very limited ported of time. Both
9	expins next week. The shareholders of Announ
10	have only a reasonably short time left in which
11	to make a choice between them two cliens, on
12	a decision to accept neither of them. This brings
13	me to my first point, that it would be highly
14	makely in this corrected sity kinn to the the heads
1.5	of the of the offerors because it would, in effect,
16	grant first rolled in this coaler instead of the
17	preliminary relief that plaintiffs allegedly much
13	Plaintiffs are after all, the nemegrowshi
19	of Lemony, and for many weeks and or on results the
2	management of Broour has ands its hostility to
2	
2	East's offer known.
:	on the other hand, and at the serie time,
	4 the management has indicated the in favors of
	prefers the Everylound offer. I here is my hand
	Transportation Court Water Science of Visited

2	a	letter	from	the	chairman of		the	.hoard of		Armour	
-	,**									ressed	

3 dated a week ago Monday. January 27th, addressed

4 to the stockholders of Armour and attached to that

5 letter is a copy of the description of the Greyhound

offer to Armour stockholders. In the second

7 paragraph of the letter --

8 THE COURT: In addition to that, as I

o read the papers, I understand that a principal

10 officer, who is a stockholder, he and his femily

11 sold 300,000 abares to Greyhound.

12 MR. Mchmis: Exactly, your Boson, Gat

is Mr. William Wood Brince, the same officer, the

14 chairran of the beest, who both through his Glicen

15 holdings and holdings in corporations and touchs

that he controls has been the controlling eteraholden.

17 of Armour for approximately a donan years row.

18 As originally ennounced, the Greyhound edder had

19 a condition in it to the effect that Greyhouse

20 need not accopt any charca terdered unless Mr.

21 Frince would bender the cherce he comed and controlled

22 Mr. Frince, in fact, has done so and that flact.

23 has been publicly announced. He ascopted the

24 Craylound offer last work and in this loter

25 signed by him he urges that the other shoulded to

GOUTHERN DESCRIPTION COURT RECORDISTE

for any transaction of Y. M. W. 1997 The Specience G District on South Co.

	99.00
1	mi

( )

•	JA1165
2	Armour give that offer due consideration.
3	so the present management of Armour has
4	made its decision at least its controlling stock-
5	holder has made his decision. What the rest of
6	the management of Almour will do, I do not know
7	at the present time. While the present controlling
8	stockholder has made a decision that he prefers
9	the Greyhound offer, which is his right, the offeet
10	of an injunction granted here in this court tould
11	be to deny other stockholders of Armous a right
12	to make the same choice.
13	THE COURT: Does the latter set forth
14	the eggesition to the offer made by Canada, I sat
15	and does it point out the various grounds ages
16	which the attack is undo in this court with a majorit
17	to the minarge offer?
18	MA. Modella: The letter itself does not.
19	your Headr. It simply encloses a copy of the
20	Greybound offer and commands it to serious
21	consideration of Armour stockiolicans. Mossever, you
22	Foror, the eggositica of Mr. Frince and of Assourte
23	present management was already well known to
24	Armour stackholders. Armour shoulders received
2.5	a lette: dated January 9, 1959, in which the Canara

FOLDY EQUALS COURT OF THE COMMENT TO THE STATE OF THE FOLDY FOR THE STATE OF T

						a no hon	numb	or.
2	Host offer	ic se	verel	y cz	16101	and deep	4514	lettar.
3	of grounds.	Not	only	610	they	recorve	CHARLE	

the present management of Armour took newspaper

advertising apace, full-page advertisements, according 5

to Armour's president whom I deposed last week,

in every edition of the Wall Street Journal, in 7

the New York Times and in principal regional 3

newspapers throughout the country.

I would like at this time to offer

10 the letter to stockholders dated January 27, 1969,

from the William Wood Prince to which I have bed 11 12

reference as wall an a copy of the newspaper 13

advertisement to which a have provincely nationed. 1.5

IR. Medicula: No enjockies. 15

man committe occasived.

15 (Dyferdants' Ediblik C zecelyed 17

in evidence.) 27 18

MR. McMats: I bolicen I have a co y. your 19

Menor, of the ---20

WEN COURT: Junt lot me road this first, 21

pleass. 22

(Pause) 23

ME. Mercha: Your Halor, I holieva 74

there is a copy of the nowneeper advertisement 2.5

COUTHERS DIVE OF COURT APPORTING United the as County hours. TE 5-10N' CO. V. 140 74 6 Fetor Separa, H. V., F. A. 19: 07

	1 .	27 27
		JA1167
	2	attached to the opposing affidavit. The best
	3	I can offer this morning. I am sorry to say,
	4	is a Merox copy of the same advortisement.
	5	THE COURT: It is this one, Exhibit J?
	6	MR. McAMIS: Embibit 5 to the opposing
	7	affidavit on this motion, your Honor. May we
	8	form that received in evidence?
	3	was doser: All right, whithis a
	10	oftenhed to the expaning affiliavit of Adwin
	11	n. Velmin will be dermed Indials D.
	12	(maken baste) retible D Gearest remeived
201	- 13	in evidence.)
	i÷	ice, merical: An I have mentioned, your
	15	Monor, malons the eachange offer is gommitted
	16	to percent whishcomed by an dejection and to
	17	compete with the propert exceptioned carb affort,
	18	Acrous abouttoldors will be deprived of their
	25	oulforego, that is, their right to choose between
	30	compacing bids. Without or both of these of sections
	21	may be espectableled that will never coose again.
	3.2	so far as arrows steekhulders are concered, and
	2.3	our first point is that they should have the vight
	24	to make their cheirs or to decide to seeapt
	25	neither of thees offers and this court has
		SOURCE AND CONTROL CO. DO. CONTROL CO.

University of the Court Marion Potent that Mrs. M. Marin M. Strand ... Valentiness Committee that Str.

	JA1168
2	recognized that principle in the American
3	Crystal Sugar case, 276 Federal Supplement.
4	As I have pointed out, our offer is
5	made pursuant to a registration statement and
6	prospectus which the Securities and Exchange
7	Commission has declared effective daspite repeated
8	attempts by Armour mangement and Armour coursel
çı	to keep the regiseration sestes ent from eval
10	becoming offsetivo. It is time that Absour management
11	did not see fit to come into this court until
12	January 21ad, which was only a Sew days both me
13	the registration statement and prospectus became
14 .	offsetive, but they were making representable an
15	to the SEC as to the defects in our proposes
16	exchange offer as carly as Sananny 2nd, Ca thab
17	date they emenitted I believe it was come a who
18	dubritted a mamorandum to the Recurities and
19	Exchange Commission, "Reference: Acases & Corpany,
20	Ceneral Host Corposation," and in that memor add,
21	consisting of 10 or 11 pages, the Contribles and
22	Suchange Counterior was directed to several diagred
23	defects in a proliminary registration statement
24	thich had been filed only on December 19th.
25	to they wanted no time in about ity
	OUTHERN OF THE COURT STRUCTERS

UNITED DIVING COURT ED-OF FOLLY EDU. 1 S. H. V., 14. A. 10: 07 1. 3 8 41, COm. 47 7 406

1	ron
	GR 2 2 2 4 6 6

	JA1169
2	to point out to the SEC what they regarded as
3	defects in the General Host offer, nor did they
4	stop there, I might say, because immediately upon
5	the filing of the complaint in this action not
6	only did they serve the newspapers, as my colleague,
7	Mr. Lowenfels, has put it, but also immediately
8	sant copies of the complaint to the SEC and
9	belogname advising various socurities commingforers
10	who administer the blue sky statutes that the
11	complaint had been Hiled in this court.
1.2	I hold in my hand a comple telegres-
13	there were many. This one is addressed to the
14 .	Moa. Pfuin Wondo, Commissioner of Communities,
15	Department of Regulatory Agonelis. Menolule, Firmli,
16	and it is a talograp. Oren an ottorney carpetated
17	which plaintiff commont, Mossec. Sullivan & Countell,
18	and I ask leave to commit this as the meat
19	desantants' exhibit in ovidence. As I say, is is
20	by no means the only such telegram; we have
21	reason to believe there were many, but this
22.	is a fair cample.
23	In the telegram they state that
24	a copy of the complaint has been mailed and directing
25	the attention of the Securities Cambinstones to
	The second secon

HARMERN DISTRICT COURT B THORAKES University Staying Count Legis THEORY SHEE CONTLANT TO 1960 FOLEY SQUARE, M. Y., N. V. 10007

2	various paragraphs of the complaint which
3	allegedly indicate the General Host debt
4	to equity ratio is than ten to one, that the
5	terms of the proposed debentures are unfair in
6 .	many of their texas, including extreme
7	subordination terms, no protection against
8	additional debt. lack of sinking fund provisions
9	over the 25-year life of the debentures and then
10	go ahead with a reference to cortain problems
11	in operating under the Packess astitrust
12 .	consent decree of 1920 which allegedly cast doub!
13	on General Host's ability to pay Calenthres."
1.4	I ask lerve to have that subulttock. I way say
15	whis care to light in the course of depositions
16	last week, your Honor.
17	
18	
19	
20	
21	
22	
23	
24	

2	MAC CRATE: If your Honor please,
3	we need have no objection to that, but I have the
4	greatest objection to a statement made by Mr. McAmi
5	that he has reason to believe that other such
6	communications were sent. The fact is that he
7	requested and we produced everything that had been
8	said, and he has a complete file of everything
9	that was said so that he is fully advised of what
10	we have said to the various regulatory authorities.
11	THE COURT: I don't understand the
12	basis of your objection. My recollection, in
13	reading some papers this morning, is that this
14	communication or communications along the Time
15	which have just been read by counsel was sent
16	not only to the SEC but to various commission rs
17	in the states. Is there any dispute about that?
13	MR. MAC CRATE: None whatsoever,
19	your Honor. I was taking exception to the sug-
20	gestion of counsel that we had not fully appresed
21	them in response to their requests as to all the
22	communications that had been sent.
23	MR. MC AMIS: I intended no such sug-
2-1	gestion, Mr. MacCrate. In so far as I am
	avare, you have complied with my request for copies

25

1	1ha2 JA1172
2	of all such communications and I intended no such
3	implication.
4	(Defendants' Exhibit E received in
5	evidence.)
6	MR. MC AMIS: Your Honor, copies of
7	various other communications dated, I believe, re-
8	spectively, January 23, January 27 and January 28,
9	1968 to the various blue-ky commissioners on the
10	letterhead of Sullivan & Cromwell have been
11	attached to the opposing offidawit as Exhibits N.
12	O and P, and I request that we doem copies of those
13	communications received in evidence in an effort
74 .	to save marking additional copies
15	MR. MAC CRATE: No objection.
16	THE COUFF: What are those, 0
17	MR. MC FMIS: N, O and P, your Horor.
18	THE COULT: They may be deemed
19	marled.
20	(Defendants Exhibits F, G and H deemed
21	received in syldence.)
22	MR. MC AMIS: Your Honor, we consider
23	
	extraordinary relief of a preliminary injunction

is particularly ill-founded in the circumstances of

2	this case since our client a offer to Armo-
3	stockholders is based on a prospectus and a regi-
4	stration statement which has been declared effec-
5	tive, and it is well recognized, I believe, in
6	cases that even if the complaint states a claim
7	upon which relief may ultimately be granted,
8	plaintiffs in this type of situation, and
9	particularly in competitive tender offer situs.
10	tions, have an extremely heavy burden.
11	I suggest that on this application .
12	for extraordinary relief they have an impossible
13	burden in view of the fact that our offer is
14 .	made pursuant to a registration statement, welfke
15	the Grayhound offer, which, being a cash offer, is
16	not required to be cleared or declared of feetiles
17	by the SEC in the same way that an offer in cetur
13	for securities is.
19	So that some relief may or may not be
20	granted after trial, and I don't deem that we are
21	here this morning to try the merits of the cass
22	but merely to determine whether or not plaintills
23	have sustained the burden that befalls them when
2.4	they ask for this sort of extraordinary relief.
	In addition to the lack that plain-

	011111
2	tiffs have not shown a right to this relief, the
3	granting of it would clearly irreparably harm our
4	client, General Host, as well as the stockholders
5	of Armour. As I have previously indicated,
ć	irreparable harm to Ceneral Host regules because
7	in effect General Host would be knocked out of
8	the bex, Ceneral Host would be out of the competi-
9	tion for the favor of the Armour specification and
10	Grayhound's offer, which is clearly favored by
12	Armour's simagement, would be clieved to process
11.	unhindered while our hends would be bied by un
15	injunction. The irreparable injury to Assem-
5A .	the state of the s
2	is the or hall marked which is not been all
k.	harding any shoirs on bourses the ecoperans.
17	In addition, as Mr. hectrosches this will-
15	cated, we believe that plaintiffs are guilty or
	laches in commoneing this action. They have argue
20	in other former. They argued before the
	Securities and Masternes Consdesion, they have the
21.	representations and entraction to the various
2.2	bluo-sly commissioners. None of these have been
23	offective. The same points that are raise to
21	this howends how proviously become to the

	ONIIIO
2	these regulatory bodies and none has been effective,
3	with the sole exception of the great State of
4	Illinois, where an order is presently in effect
5	barring the exchange offer in that state. And
6	Mr. MacCrate has referred to that.
7	What he did not refer to, however, is
3	the fact that that order was secured by Armour's
3	attoracys, the Chicago firm of Mirkland, Elius,
10	Hodson, Chaffetz & Masters, ex parte and in camera,
11	without any notice to General Fost or any oppor-
12	tunity to be heard. We have requested a latering
13	in that proceeding to attempt to obtain a vacabur
14.	of that order prior to the exprantor of the
Li.	eschange offer. The matter in referre to the
16	pages 8 and 9 of the prospector, and I am persontly
17	informed that that hearing in lilinois will be
18	held on Fridey, the 7th of February. That is
10	two days from now.
20	In any event, as I say, with that
2!	exception and with the possible exception of
23	Wiccousin, which seems to follow blicois pro-
23	cedures in these matters, no state has forbidden
2.1	the olichange offer to be made, and certainly the
25	SEC did not forbid the exchange offer.

SANTED THE TO SATISFIE S. MITTE IN THE ASSESSED FINENCES & MORE OF THE FIRST ASSESSED TO SANTE TO SANTE TO SANTE ASSESSED.

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2	In addition, I want to comment on a
3	few matters raised by Mr. MacCrate in his argument
4	to your Honor this morning. The burden of his
5	argument, as I understand it, was that these
6	securities are highly speculative in nature. But
7	that seems to me to be different from the thrust
8	of the complaint which charges that they are a
3	fraud. He hasn't andicated in what way those
10	securities amount to fraud.
11	They securities are there, your Fonor;
:2	they are paper; they are for all the world to see
13	and to examine in accordance with the statements
. ·	made in the registration material.
15	What is the nature of the fraud that
16	Mr. MacGrate claims is the plaintiffs' old had
17	It has appeared, in the depositions and in the
18	complaint itself, that has fraud is based or
19	certain analyses by accountants or by lawyers, and
30	I respectfully suggest that that is not the sout
21	of material that should be gone into on this motion
22	partly and, in fact, chiefly because that onelysis
23	is based on the facts stated in our registration
24	statement.

FOLD SOUATERS W. W. W. 161997 To. 20 0 26 1 Section 30 1 0 25

I don't agree with the analysis.

2	think much of it is tortured
3 .	THE COURT: In other words, you
4.	say that the experts can only give their opinion
5	on this subject?
6	MR. MC AMIS: Yes, your Honor. I
7	am saying that they have taken our registration
8	statement and have purported to pick it apart to
3	their own satisfaction and have made cortain
01	analyses based on the facts stated therein, and my
11	point about it is this: that if they can do it.
12	so can other people do it, because the fasts upon
13	which they rely are stated in the registration
4.4	statement, there is nothing hilden, and therefore
15	there is no fraud on the public which calls for the
16	application of an extraordinary proliminary injust-
17	tion by this Court.
18	As Mr. MacCrate has stated, a great
19	many changes were made in the prospectus between
20	the time of its original filing in December and the
21	time it became effective at the end of January.
22.	Perhaps we have the plaintiffs to thank in this
2.3	respect. We didn't know the contents of the
2-1	material that they tent to the SEC until after
25	this action had convenced. But the efficers of

CONTROL OF THE COURT PROTEEN.

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FOLD FORTE, H. Y., D. Y. 1990? Yes Month Conv. and 74500

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1		٦	m	•	8
		J.	:1	u	v

2	our client and colleagues in my law firm were in
3	constant almost daily communication with
4	the SEC, and perhaps we have a much better regi-
3	stration statement and prospectus than we would have
6	had had not the changes been made.
7	I submit, however, that, if anything,
8	that argument is not one in favor of the posi-
9	tion that plaintiffs take in this action or in
1.0	favor of requiring this Court to take oral
11	testimony on this motion.
12	Mr. MacCrate stated or referred to the
13	fact that we had made an announcement, Canaral
14	Read had made an apparendment, that 700 00; charas
15	were tendered on Friday, and he stated that that
16	had been done at a time that the prospectualities
17	net available. He citas Mr. Ashten's deposition,
18	and I think when your Honor meads Mr. Ashton's
19	deposition you will see that Mr. Ashton said no such
20	thing.
22	The fact is that the prespectus was
22	being printed on Friday and was available by hand
23	here in New York on Friday of last week. My
24	understanding is that it was mailed both to
25	Armour stockholders and to soliciting dealers

COLEY COULTS, M. Y. St. M. STEELS ... OF SEC. C. Consum of February

1 .	1ha9 JA1179 h9
2	over the weekend.
3	THE COURT: I was going to ask,
4	when was the mailing?
5	MR. MC AMIS: My understanding
6	and I am conferring with my colleague on this
7	my understanding, your Honor, is that some
8	documents were mailed let me say it this way:
9	1t was completed Sunday morning. Cortainly
10	mailing took place all day on Saturday and, as I
11	understand it, it began on Friday night, January
12	31st. So that the prospectus was first mailed
13	on Friday night, but it had been available by hand
34	· here in New York during the day on Friday, and the
15 -	Shares of aboek that came in came in from Her Your
16	and came in very late on Friday night. In fact,
17	the bank that is acting as the exchange agent had
18	to remain open late on Friday night in order 60
19	receive the shares.
70	So there is just no truth to the charge
21	that these shares were tendered before the prespect
22	tus was out.
2.3	I have addressed my argument and I
24	am trying to be mindful of the fact that your
	Honor has a limited time to consider this metier

POLICE TO THE PROPERTY OF THE PROPERTY OF THE PARTY OF THE PROPERTY OF THE PRO

	JAIISO
2	today I have addressed my argument to the
3 .	application for an injunction against the exchange
4	offer. I will cut it short because I believe
5	that it is important, even essential, to determine
6	this matter as quickly as possible.
7	Of course, an injunction against our
3	client would completely knock us out of the box.
9	But even the possibility that an injunction may
10	be issued has an unsettling effect on the
11	market, and many people will not tender to a
12	corporation whose bender may possibly be enjoined.
13	This is particularly important in our case be-
14	cause ours is not a cender for any and all stares;
15 -	
16	ing at least 50 per cent of the stock. United
57	50 per cent is tendered by the expiration of the
18	offer, General Host is under no obligation to
19	take anything, and, in fact, has stated that it
20	will not accept less than 50 per cent.
21	So that any possibility that an in-
22	junction may issue, and the longer it hangs over,
23	this tender offer, exectes a cloud over the
24	offer and makes people leery of tendering
	their shares. And, of course, they must bende

	·					
2	their shares if we are to get our 50 per cent.					
3	So we ask that this matter be disposed of as					
4	promptly as possible now that the application has					
5	been made.					
ø .	With respect to the 10(b)(6) argument,					
7	your Honor, I would like at this time to introduce					
8	my colleague, James Murray, who is sitting besides					
9	me. Mr. Murray and our co-counsel have prepared					
10	a memorandum of law with respect to this problem					
11	which we have served on the other side and which					
12	we would like leave to hand up to your Honor.					
13	I believe Mr. Murray has a few points					
24 .	which he would like to make in this regard, and I					
15	ask leave to have him heard.					
16	MR. MAC CHATE: No. No. No. 12 1000					
1.7	the memorandum that has just been handed to me					
13	by your colleague?					
19	MR. MC AMIS: That is the memorandum.					
20	has been finished this morring.					
21	THE COURT: Do I have that one?					
22	MR. MC AMES: No, your Honor.					
23	am just asking leave to hand it up.					
24	THE COURT: Mr. McAmis, on the car					
25	change aspect of the plaintiffs' application, your					

	JA1182
2	position really is twofold, is it not, in oppos-
3	ing:
4	One, that since there is the outstand-
5	ing cash tender offer by Greyhound, that it would
ó	be unfair and inequitable and inflict irreparable
7	injury upon you to tie your hands while the other
3	offer is outstanding?
è	MR. MC AMES: Processly, your Honor.
10	THE COURT: And, two, that there has
11	been wide publicity and full disclosure of all the
12	contentions made by the plaintiffs in this suit with
13	respect to whatever shortcomings exist in so far
14 .	as the offer by feneral Hest is concerned, whatever
15	cojustions have been advanced have been highly
1.5	publicased, plus the fact that there was right
17	serutiny, as there must be, of the regist
18	statement?
19	MR. MC AMIS: Exactly so.
20	THE COURT: And, finally, you bay
21	that since the public has been advised, that is,
23	the stockholders of Armour, of the claimed dorl-
23	ciencies of this proposal, that in the exercise
24	of corporate suffrage they have the right to their
25	own judgments?

2	MR. MC AMIS: Yes, your Honor.
3	MR. MAC CRATE: If your Honor please
4	THE COURT: I think you ought to direct
5	yourself to that.
6	.MR. MAC CRATE: If your Honor please,
7	the public has not been fully apprised of
3	THE COURT: You advertised rather
2	expensively, did you not? Where is a copy of your
10	advertisement? I would like to see that.
11	MR. MAC CHATE: The advertisement that
12	your Honor holds is dated in early January, 1960.
13	This was prior to the first extensive amondment in
14 .	the registration abatement, prior to the time that
15	the details were further developed in the trans-
16	action, and although in a broad way the confermions
17	that we have made have been given publicatly, and
16	we have sought to do that, the basic factual con-
19	clusions upon which we rely when we say that the
20	stockholder is not being properly appeared by the
21	prospectus have not been brought to the attention
2.2.	of the Amoun stockholders. We have not been
23	seeking at the same time to make the same kind of
24	presentation.
9%	How, there is a vert difference between

CONTRACTOR OF THE PROPERTY OF

	JAIIS
2.	an offer of securities and a cash offer. In
3	the case of a cash offer the person who submits his
4	stock has no further interest in the offeror. But
5	in the case of an exchange offer for securities,
6	the basic question and the basic problem here is
7	what about General Host? What state will
8	General Host be in?
9	THE COURT: Lat's not wan eloquent
10	about it. But I would like to know the date of
11	your release which went, I assume, to all the
12	papert, in which it was stated that in addition to
13	a charge of conspiracy among defendants, that it
14 .	is not likely General Most will be able to key the
15	principal and interest on the amconvertible
13	subordinated \$60 principal dabantures, and the
17	value of the 1-1/2 warrants is allusory.
13	I think in that release there was
19	also a reference to the tax consequences of the
20	exchange. Inst was rather expansively distributed,
21	I teke it.
32	MR. MAC CRATE: That was a release
2.3	given to the newspapers with respect to the complaint
24	in this action. We did not sun an advertisement;
25	we did try to bring to the autorition of the jublic

LOUISMAN DELICE DE GOUERT E GALERO LEGYLE SERVE SELLE E LA FERL GOUERA DE CARRON DE COMO DE CO

- 2 the fact of the filing of the complaint. That
- is quite true.
- The information upon which we relied
- in this action, in summary, was described in this
- 6 release that was given to the newspapers at this
- 7 time, yes, that is true.
- B THE COURT: And in effect, too, as I
- pemember, the reason I am asking these quastions,
- I came across it in the papers that I read this
- ii morning, I think you also made the point or attempted
- to make the point with the public, that is, the
- interested stockholders, that in effect they were
- 14 financing demeral Hort,
  - MR. MAC CPATE: That's correct.
  - 16 THE COURT: By taking these dahundards.
  - 17 And also eventually, if they exercise their warrant
  - 18 rights, they would be financing them further by
  - 19 sending the money into the till, as it were.
  - 20 That's giving fairly substantial information, I
  - 21 would think.
  - 22 MR. MAC CRATE: Your Honor, it is just
  - these factors that should be in the prospectus,
  - 24 should be a part of the distribution, and should
  - 25 be fully documented in what goes out to the stock-

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2	holders.	And	the	fact	that	there	13	а	COM-
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- 3 peting offer doesn't make valid that which is
- 4 invalid.
- THE COURT: You sought -- I don't know
- 6 what you specifically sought -- to get the SEC to
- ? require them to put it into the prospectus.
- I assume that you made rather strong representa-
- tions as to what you regarded as the weaknesses and
- the shortcomings and even alleged fraudulent con-
- ii duct to the SEC, did you not?
- 13 MAC CRATE: We made certain repre-
- 13 sentations, your Honor, indeed. We did not
- 14 make ...
- THE COURT: I find it difficult to
- 16 accept that if there was a deceptive or frautulent
- 17 content that was manifest on its face, that this
- 18 could possibly be approved.
- MR. MAC CRATE: This we believe
- 20 was not manifest on its face and required the
- 21 kind of expert analysis to put these figures
- together so that you could understand what he was
- that was here being offered, and they were not
- required to make the kind of disclosure at the
- outset of this prospectus that the SEC las an other

FOLEY TOWNS, M. M. M. V. VOJOZ TELEFRENC COLUMNS - 2 of The

I would like you to be precise on that. Omission
to state that this is a speculative transaction?

you expect that?

MR. MAC CRATE: You, your Honor.

THE COURT: Has the SEC required that

24

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THE COURT: Is that the only differ the

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	JA1189
2	the SEC should have required the change to
3	have been made at the beginning of the prospectus
4	that you are advocating?
5	MR. MAC CRATE: In addition, your
6	Honor, what is said with respect to dilution or not
7	said with respect to dilution, what is not said with
8	respect to cash flow, with respect to the ability
ç,	of General Heat to meet out of earnings the
it	indobtedness as they matured, in these various
11	respects the prospectus fells short. The S E
22	have sought leave to do, but in tiew of the time
13	of argument I
14	THE COUPER T WER GOING TO STREET
15	" this, Mr. MacOrsto, and I till sit whatever
13	bours you require, or securally, o esn't you
17	expart testimony come down to a entrey of of acts
18	just as you are expressing your opinion now, with
15	the end result that in this exchange the Achter
20	stockholders in your viewpoint will be asquaring
21	a speculative situation; mercover they are in
2.2	effect financing General Host, and that their
23	securities will be very subordinated securities?
24	Then you also make the reference to the cold flow
9.4	position.

		JA1190
	2	Isn't this a matter of either judgment,
* • •	3	opinion or interpretation based on what is contained
	4	in the registration statement?
	5	MR. MAC CRATE: I do not believe so,
3.	6	your Honor. I will even elaborate conclu-
	7	sions capable of demonstration:
	8	THE COURT: You have it your way.
	9	You have the affadavit here of Mr. Clynn who
	į()	challenges the perition I don't know if he does
	11	of these ultmanage. Of course, he phone to me
	22	point that you rely on very heavily with weather
	13	to the exercise of the warrants. The debe determine
	22	are used. I suppose if the debentures are
	1.5	Wired has bhard must be seen and a whore of the
	15	d: bt.
	17	MAR ISO SHAME: FAIR SI ASH DAVIN TO S
	18	your Henor, to
	19	THE COURT: Without his having a grander
	20	that in his tifficavit, it occurred to me that where
	24	had been some miscalculation as rewhy to down of
	22	line. If they in feet do two in debours
4	23	they are turning back roadly an 160, are they
	24	not?

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	JA1191
2	back IOUs.
3	THE COURT: I really think that you
4	can achieve the same thing by submitting an affi-
5	davit of these gentlemen, which I will be glad to
6	take and consider; but if you prefer not to, I
7	will give you the time.
3	We can start right now, if you want
9	to. I said I would sit until 12 o'clock. 1
10	think you have really got a full factual picture
11	here in terms of your situation.
(*)	You argued the other day - I am
13	going to use the vernecular I came in
14	.raw and the cold, and I have very little lonewlooden
15	of the case, I don't profess to have much more
1ei	now, enespt than I went through row payers,
17	the other side's papars and the bule's.
18	MR. MAC CRATE: Your Honor, I
19	neglected to say with respect to the 10(5)(6)
20	point that two partners of Klainer, Bell, during
21	the course of the period that the General Hest
22	exchange offer has been in registration, themselves
23	purchased 2,900 shares of Armour stock, which I
6.4	believe is a significant factor. The individual

the was tendared to me as a witness . -

# JA1192

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# JA1193

74	2	MR. MURRAY: Your Monor, it is our
	3	position that plaintiff's argument for a
	4	temporary restraining order and a preliminary
	5	injunction based on asserted violations of Rule
	. 6	10B(6) makes no sonse whatsoever. Rule 10B(5)
	7	is altogether inapplicable in this situation.
	8	We have submitted a brief memorandum
	9	THE COUNTY MAY GO YOU DAY THEO?
	10	Isn't General Most really making a distribution?
	11	MR. MORNEY: Canadal News in wating
	12	a distribution of its securities. It is qualitating
	13	its warrants and debentures. It also could be
	14	dentifored on ClearStating its own on place
	1.5	since the warmanis and Order Lines can be che god
	16	into comma pipeli. In their refundable come a celes
		and engloody who under the nells in partualize hely
	17	with Conoral Mont in the distribution is non
	18	supposed to be supporting the market for those
	19	securities which are boing distributed excess
	20	under the exception to Bule 193(6) which is hade
	2.1	the market supporting regulations in great fotail.
	2.2	memory to ave not distributing thereon
	23	the second of the second of the second of the second
	2.5	and the state of t
	2.5	Seneral Peru Salam Date to peru per meta min

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### .....JA1194

- 2 purchases of Armour stock at this point in time
- 3 is to make the General Host offer less attractive
- 4 rather than more attractive. It makes it less
- 5 attractive because the price of Armour stock will,
- 6 to some extent, rise, and the differential between
- 7 Armour stock and the value of General Host
- g securities offered in exchange therefor will go down.
- 9 Rule 103(6) obviously was not drafted
- 10 with specifically exchange offers in mind, but
- 11 the effect, the purpose, the history and the
- 12 words of Eulo 103(6) are that an issues or a
- 13 perticipent in a distribution shall not be out in the
- 14 market place our youting theprice of the issue being
- 15 distributed or supporting the price of an issue
- 16 into which the issue which is being distributed
- is convertible or exchangeable, because that in
- 18 the same thing as supporting the price of what
- 19 is primarily being distributed.
- 20 WES COURS: Wall, let me coe if I
- 21 understand you. Where a registration statement
- 22 has been filled and the stock is subject to
- 23 enchange, does the purty who is making the exchauge
- 24 or of Eleting the exchange have a right to buy
- V5 either the stod: that is to case to him or the stock

1	rmh-3 JA1195
2	that is to come to him or the stock that is to
3	go out?
4	MR. MURPAY: . We take a position that
5	General Host, if it wanted, buy Asmour stock
6	on the market.
7	THE COURSE: What do you make of this
8	subdivision 3, "who is a bucker, director or
9	other percenting has agreed to perticipate on
10	is participaing in such a distribution," and
11	directly or indirectly, "to bid for or purchase
12	for any account is which he has a bane Heisl
13	interest in any security which is the swiject
14	of such distribution."
15	Est. 13317 L: The califect of the distairables
16	ero Germani. Monte e parmiliano
17	THE CLUBER YOU BET that had nothing an
18	all to do with Armour stock.
19	MR. MERMON: Nos soching ob all ac
20	Go with Armour Scheviting.

21) 213 COUNTS Of COUNTS there is an war

22 point har. Englished rakes: he also redere to-

23 there are so many subdivinious hare I am not

24 Bank I can Sollow all of Grow, tot Succeeding Cons

25 to D. The Cinballation of a secondar one wakes is compared to the compared that

## JA1196

- 2 immediately exchangeable for or convertible into
- 3 another security." Doesn't that apply to the
- A Armour Company stock?
- ME. MURRAY: No, that docen't apply
- 6 to the Armour stock. General Host securities
- 7 are the securities which are the subject of
- s distribution. They are not changemble into Armour
- o steeds.
- 10 MAN COURT: But Armour stock is enchargewile
- 11 into General Bosh?
- 12 MR. HEERAY: Hea, guranant to the
- 13 exchange offer. The emphange offer ien't any right to ---
- 14 ක නොවනා ලෙසි බිවසලසඳ කර්ලේක සියස් එ ස ක්ලේකිස් සිය සතාලයේ සිය
- 15 General Lost in the souse that a a mights offerang
- 16 to or a warrant ic. In Amoun respelly supplies
- 17 with the archange offer gives a contractual raget to
- 18 an Augour stockholder subject to the limitable us
- 19 in the offer. We have a 50 per cost limitation there
- 20 and there is no immediate emchange tayway.
- 21 PRU COUPE: Suppose there were no Limitation
- 22 and the offer nere to take all the shares
- 23 that were tendered, without restriction, wouldn't
- 24 that growision opply?
- 25 MR. WYSTERS Ho. Ha we coater A to not

CONTRICTS DELINGT COURT IN SCRIERS
UNTIL STATES COURT HE S

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- 2 applicable because it says "The distribution
- 3 of a security which is immediately exchangeable
- 4 for or convertible into another security or which
- 5 entitles the holder thereof immediately to acquire
- 6 another security shall be deemed to include a
- 7 distribution of such other security." We are
- 8 distributing Comeral Host debentures and warrants
- 9 and they are immediately exchangeable for General
- 10 Fost stock. We are distributing Coneral Fost stock
- 11 as well as Comoral Fist warmants and decontures
- 12 but it Reads in no way to America. We are complicating
- 13 Armour, not distributing Amour.
- 14 De Glat as At may, 200:00 to a complete cod
- 15 rule with a complicated set of erceptions. It is
- 16 our position that it has absolutely no colorance
- 17 to parchases of Amanua stock by Garriel House or
- 18 by anybedy who could be considered as underswitter
- 19 or a participant in our distribution. He would
- 20 les nice to have a decimien on that point, to ever d
- 21 further harasqueat from plaintisfs, but, herever,
- 22 It is very close that even if 100(6) was to
- 23 be applicable in an exchange offer to the purchase
- 24 by an offering county of the tarich or pury's stole,
- 25 it duren't suply in the specific man here then

COUNTRIES TO THE COURT A TITE IN

- 2 Armour is complaining of. Nine of the memorandum
- 3 which I submitted to your Honor, that included
- 4 extracts from the deposition of Ralph J. Shapiro
- 5 which was submitted -- the deposition was submitted --
- Where is that? TER COURT:
- MR. McAMIS: It is in evidence, your
- Honor.
- MR. MURRAY: On page 9 of my name I quetted
- 10 from the deposition which was taken of Mr. Shapire,
- 11 who was the executive vice president, chief operating
- 12 officer, chief administrative officer of Moiner, Holl,
- 13 and he testified that the trades complained of wome
- 11 unreliefed orders and br. Hostnake wakes much of
- 15 the fact that one of the two orders was a cross
- 16 order. Thie 103(0) spys you can't colicit purchasers.
- 17 It doesn't pay you can't solicat sellers, and acting
- 18 on behalf of a parcheson who came in on behalf of
- 19 an unsolicited order. Rleiner and Boll want out and
- 20 found the stock.
- Mr. Maccrate mays be has only direumstantial.
- 22 evicence to go against this. Well, his circumstantial
- 23 evidence comes form to the fact that he doesn't
- 24 believe Mr. Shapiro. There is nothing flahy, nothing
- 25 poculiar in the fact that a broker has a cross exlar and

COUTHERD DISTRICT COURT REPORTSHED

•	JA1199
2	represents both sides on a transaction
3	Basically, your Honor, our position is
4	that the plaintiffs are keeping on coming into
5	court, getting papers published in the newspapers,
6	sending newspaper chippings to blue sky commissioners
7	all over the country and attempting to keep a cloud
8	ever the archange effor by Cereral Fost to
9	keep people from tendaring their stock so that
10	Canazal East will not make its 5) yez cent minimum.
11	ME. LOUSTELLS: Your Monor, I would
12	like to be heard for a moment on the 303(6)
13	issue on behalf of Wleiner and Boll. In Mr. Shapiro's
14	Capacition, page 67 of the calible which your Ector
15	has, and also on page 69 and also on page 69, to
16	clearly cays, and I quote, "Nos, we emputed the
17	buy side of the Michael Stock Exchange punchase.
18	The purchaser was an institution. It was en
19	ussolicited order. The tickets and confirmations
20	are marked accordingly." What is at the top of
21	page 67, your Honor.
22	Then, if your Honor will go over to the
23	middle of page 68, down in the middle, where it cays
24	eghe Whiteers: Net me talk you. At he
25	an indurance ecopany. I will not give you the

Charles Strates Cours of Code Pot to Proceeds, N. Y., E. Y. 1090V The Forms COn. Hor . ed. 9

	rahe JA1200 69
2	name of the company, I will tell you it was an
3	unsolicited offer. That same customer was the
ą	purchaser of the other 25,000 shares of stock on the
5	Pacific Coast Thehango."
6	Both those references are to the Midwest
?	execution.
8 .	THE COURSE I thought those word two
9	distance companies.
1.0	MR. MANIMUMS: No. sin.
11	THE COURS I got the improcesion it
12	was two different companies with somewhat similar
13	Secretary of the
2.3	Mr. Miniming: Ho, your Forest. Co
13	gago 69, at the bay, he then refers to the Freidle
1.6	Coast execution, where he says "they sold the stock
1.7	end the same insurance company was the parchager
13	again on an uncolicited basis on our part " So
19	Eleiner, Ball's position is that even if 108(6)
20	were to apply that clearly mader exception 5.
31	"Brokerago transactions not involving calicitation
22	of the customer's order" we would clearly fell
23	vichin exception 5 to Rule 10B(6).
24	THE COLLE: Where is that?
2.5	Mr. Moderners: Member 5. year Forest.
	CONTRACTOR DE STRUCT COMMENT LA L'ADMINISTRE DE STRUCTURE
	Treaty Clambia, to The Sec.

FORTHER BEAMS CHART FORES OF STARTS OF STARTS

Comercal Foot is not exchangeable for America America in

Guneral Hook and crehange it into Amour. The

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JA1203	·
2 MR. LOWENFELS: Yes, sir. L	astly, even
3 assuming despite these things that there	was a
4 violation of 10B(6), it doesn't warrant	the extra-
5 ordinary relief requested. I think it	
6 as I think your Honor recognizes, that	
7 people be given the right to make the ch	
8 batwoon General Host and Groyhound. That	
9 Bonor.	
MR. MacCINITIC Ef your House	or pleases,
Il there has been a distinct change in pos-	ition on the
12 part of the defendants with respect to	the inter-
13 pretation of 108(6), I would suggest. On	n page 9
14 of the prespectus, under the healting "o	Wae it
15 aspects of the exchange offer, "there is	an express
16 reservation placed in the prespectus wh	
17 "Seneral Host receives the right in its	solo
18 discretion to make offers subsequent to	ths
19 expiration of the exchange offer su	bsequent
to the appiration of the exchange offer	"for chares
21 of Armour common stock or for Armour &	bentures
on a cash or exchange of securities bas	is or a
23 combination the capf."	
In other words, this is a rec	egultion
25 that during pariod of the distribut	ien they care

UNITED STATES COURT HOTE & Follow Source, N. Y., M. Y. 10007 Fairs in a Charland Fair 0

	· · · · · · · · · · · · · · · · · · ·
2	prohibited from such purchases. Your Honor, it is not
3	only on the basis of 3B but earlier in 3 there is
4	a reference to any right to purchase any such
5	security andwe submit that Armour stock today is
6	indeed a right to purchase the General Host securitie
7	Furthermore, we disagree with the narrow reading
8	as to what is immediately exchangeable. An
9	exchange always involves scmething moving in two
10	directions and to suggest that it has no market
11	relevance or significance to move up the price
12	of Armour stock right after the tender offer
13	or the exchange offer becames effective, is to
14	ignore completely the economic realities of a
15	understood Mr. Murray to may, that it didn't
16	involve Armour stock bossues who would tank to
17	buy Arnour stock and push the price up. That is
18	precisely the problem and is why 108(6) doss
19	apply to the securities that are to be tendered
20	in an omchange.
21	MR. DUFF: Your Honor, way I have
22	just a moment, and I am ergnisart of your Honor's
23	time schedule. I do want to add if there is
24	a vote being taken with respect to 100(6), my vote
25	is with those gentlemon home. I am not a total

Univers Erstan Count House FOLSY SQUARE, N. Y., U. Y. 10007 Teams on Chesses y 200023

- 2 lawyer and I seldom have the pleasure of being in these august chambers, but if I have any reputation
- 4 it is as an SEC lawyer, where I spend most of my time.
- very frankly, this precise question as to whother
- or not Rule 10B(6) prohibits the purchase in this
- case of Armour stock has been discussed at length,
- if not ad nauseam, among all SEC lawyers. I believe
- 9 it is the opinion of the SEC bar that although
- the language of Rule 10B(6) is not clear, it
- 11 was not intended to prohibit the purchase of brooks
- 12 stock by Ceneral Hest or by Allen or by Kleinte,
- 13 Boll or in fact by anyone else.
- 14 . The history of 103(6) is thet it were
- 15 a compression involving the gention as to a market
- 15 maker, particularly is now insues of securities.
- 17 thether or not the market maker chould get ort of the
- market before he becomes an underwriter. It
- 19 was to the disadvantage of an issuer to force
- 20. the market maker to got out of the market because
- 21 this dropped the price of the securities. Conceptently
- the issuer is hurt when this occurs. On the
- 23 other hand, the buying public may be hurt by posmitting
- 24 the market maker to stay in the number in an
- 25 underwriting because obviously there would be a

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#### JA1206

- temptation to raise the price. Rule 100(6) is
- 3 really a compromise, directed primarily to under-
- 4 writers. It doesn't purport to act upon this
- s question of exchange offers. So that I do wish
- 6 to cast my vote with those gentlemen.
- 7 THE COURT: Unfortunately, I can't
- 8 decide cases on the basis of respectity votes.
- 9 IN. Book I understand that, your logor,
- 10 but I wish to express the opinion.
- 11 The County that would be the purpose
- 12 of an offerer buying the charme of stock in this
- 13 situation? What, in terms of your expanience, do
- 14 . You soo would be a propose in laying the ebecas
- id of stock of America while the exfer is entistablished
- 16 EEL STEE: The purpose would be to dr. took
- 17 the ownership of Armour stock. The thole gurgons
- 10 of this exchange offer is to acquire additional
- 19 shares of Armour stock. Consequently, if althou
- 20 Commit Book or Wilde a Congrey or Michael Boll
- 21 were to purchase the chares it would be to income a
- 22 the emarship.
- 23 THE COURT: To get their much more terands
- 24 the 50 per cent?
- 20 MR. PUSE: Mos.

Contraters but live website a communication of Communication of the contrate o

TES COURS: Bonchofy our grated maybe 31

he woon't dring a marvice to the film's clients. 23

MR. MacCRAID: Well, is was a very 23

objective austale, your Monor. 2.4

MRI COURS: That is expectly that was caid. 35

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Suppose of Commencer Total 125 Peter Course, It. V. . S. V. Chow

1	rmh JA1208
2	What do you want to do from here out? I am ready
3 .	to take this, unless you have anything else you
4	want to submit.
5	MR. MacCRATE: How long do you have
6	to proceed with us, your Ecnor? We have
7	additional submissions I would like to make.
8	I understand you have to temainate now.
9	THE COURT: I do. Thene commitments
10	were mode some time in advance. How long de you
11	think you will be on these other submissions
12	you have?
13	MR. MacChage: I would think about
14	an hour to an hour and a haze.
15	THE COURS: I can ogicere you in this
16	afternoon from a question to 3 until 4:15, humano
17	there is a meeting of the court at 4:20 this afternoon
18	MR. MARCELARS 2:457
19	THE COURS: You, until 4:15.
20	
21	
22	
23	THE COURT: I don't know what he is
24	referring to. You ask him.
2	HR. McAMIS: It had been the besein of
	SOUTHERN DESTINCT COURT FOR FORTERS UNITED STATES COURT HOUSE
	Univer Statute Court from Transactic Contains Testing

FOLEY TOUARE, H. Y., N. Y. 10007

	inh .
	JA1209
2	my argument to try to suggest that in the
3	circumstances of this case there is no need for
4	hearing witnesses and I would certainly be willing
5 :	to submit on the papers and the evidence already
6	before your Ecnor.
7	THE COURT: Even if he should decide
8	to dispense with witnesses, he would want to
9	propare affidavits.
10	MR. Mcanis: I think it would be
11	appropriatost least for Nr. MacCrate to indicate
12	whother or not that is his intention.
13	MR. MacCRATE: We have additional
14	documents that we wish to orbuit and it is my
15	present intention to present witnesses but I must
16	consult over the recess to esternine the swellabili
17	of witnesses.
18	THE COUNT: Well, you have your vituesses
19	on tap. I don't know where I am going to squeaze
20	them in but this is a matter of urgency or the
21	part of both sides.
22	MR. MicCPATE: It is, your Honor.
23	THE CAURT: If this begins to draw out
24	you have given me four or five hundred process
25	to read apart from the consideration of the law

CONTROL OF THE RECEPT OF THE RECEPT OF CONTROL OF THE PROPERTY OF THE PROPERTY

1	rmh JA1210
2	to reach this motion -= the defendant complains
3	that even the outstanding motion makes a
4	difference.
5	MR. Meanis: That's correct, your Honor.
6	MR. MacCRATE: At the same time the
7 .	Cofondants are saying we ought to take our
6	case to the public and not to the court.
9	MB. McANIS: We are saying you have already
10	done that, to the public and to the SEC, the blue
11	sky commissioners, and the Court was the last
12	resert.
13 .	WER COURS: We will sit from quanties to 3
14	until 4:15 and depending on what your own position
25	in I will make a Cohomaination then as to hew
16	wo go forward.
17	MR. MacCRATE: In this room, your Ecocom?
18	THE COURT: Yes. We will meet here again
15	at 2:45.
20	
21	

22

2.3

24

	JA1211
2	AFTERNOON SESSION
3	2:45 p.m.
5	
6	THE COURT: Proceed, please.
7 :	MR. MURRAY: Your Honor, Mr. McAmis
8	hasn't gotten back down yet, nor has Mr.
9	Lowenfeld.
10	MR. DUFF: If your Honor please, while
11	we are saiding, I can report on auch success, 14
1.2	any, in trying to get a hold of the chilimar of
13	the Securities and Exchange Commission. Mr. John
14	. Rayburn of Sullivan & Gromwell bulled as after
25	I returned to my office and he and f sease, when
16	we would immediately try to read demailsing
17	Cohen.
16	E also agreed with him that I would
19	stay in my office wattl 2:25 at which time I
20	would leave the office in order to be here on thee,
21	which I was not this morning.
2.2	Mr. Reybarn has not entrod ce, ap-
23	parently Mr. Cohen was cut for Lunch and was not
24	available because he did not resum the call, so far
2.5	en I knar, tolless so more from facilities & Crass.

•	JA1212
2	knows otherwise.
3	So I have nothing more to report to
4	you on the 10(b)(6) situation.
5	MR. MAC CRATE: If your Henor please,
6	as Mr. Duff has said, my partner, John Rayburn,
7	with Mr. Duff, attempted to reach Chairman Cohen.
8	We have in the absence of being able to as yet
9	opara with the Chairman of the Seathlites the
10	Exchange Commission obtained from our office
11	files a letter of the Securities and Exchang
13	Conrission, Division of Trading and Newton, or hod
13	August 12, 1960, we: Gulf Life Holding Company.
11:	In that letter there is a reserve
ذذ	for an examption from the provinters of and
15	30(b)(6) whom parterest ist Victor to ward
17	end collecting doctor new making a manifest to the
18	stock of Gulf Life to continue to perchase curt.
19	stock and also to purchase the bolding corporate
20	consta stock during the period of the ox house
21	offer under certain conditions.
22	This levior ration to the grandle
23	of an exemption under paragraph (f) on very
21	restrictive conditions. What he bald lever to the

Louder, and I will head this I occur up to the

COUNTRIES CONTROL CONTROL AND STREET

F. Cay C. Was, H. V., H. L. 1900/

S. V. COMMENTER THE W

COUTERN DISTINCT COURT REPORTING

Peter Counce, M. V., R. V. 10:07

Valarmone: CONVENTEY 7-0000 .

( ) \*\*

1	lhjb-5 Zick-direct JA1215 84
2	filed on January 23, 1969.
3	. MR. MC AMIS: No objection, your Honor.
4	(Plaintiffs' Exhibit 7 received in
5	evidence.)
6	MR. MAC CRATE: I would like at this
7	time to call as plaintiffs' witness Mr. John W.
8	Zick of the firm of Frice, Waterhouse.
9	
10	JOHH W. ZICK, colled so a wit-
11	ness by the plaintiffs, being first daly
12	sworn, testified as follows:
13	DIRECT ENAMINATION BY MR. MAC GRATE:
14	Q Hr. Zick, 61d you give the affillavia
15	that has been submitted in there proceedings by
16	the plaintiffs in support of the motion for a
17	preliminary injunetion?
18	A I did, sir.
19	MR. MAC CRATE: In your Honor phoase
20	THE COURT: In that the one that was
21	handed up this morning?
22	MR. MAC CRATE: Yee, 12 13.
23	THE COURT: Obviously I haven't had
24	a chance to read that. Where is it?
25	MR. MAC CRATE: In the interests of
	BOMENSON CHARGE OF COURSE F. FOR YORK

xx

PARCO SALVE CENTE FOR CONTRACT CONTRACT

FOR STATE FOR SALVE CONTRACT

FOR STATE OF SALVE CONTRACT

FOR SA

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3

MR. MC AMIS: Your Honor, I would 23 object to the receipt of this affidavit as evimonce. It is true that the winness is here and 25

SOLLHARMS INVALIDED GOVER TO NOT FREE Witten GWANG COOK NOON Proces September 16. E. M. F. 100037 The Section of Contrast of the P

CONTROL DISTRICT COURT REPORTERS

UNITED STATES COURT HOUSE

FOLEY SQUARE, N. Y., N. Y. 70007 Telegress, Contagor 7-4900

CONTROL TO LIGHT COURT NOT A CONTROL OF THE PARTY OF THE

24

25

1s based?

in:	b-9	

Zick-direct

- 44, I believe, describes the basis on which the 3
- cash flow projection was made. Page 46, excuse 4
- me, sir. 5

1

2

- Is the information upon which Mr. Glynn
- has based this cash flow projection found in the 7
- prospectus of General Host? 8
- No, 822, it is not. 9
- Do you know of any way to prepare from 10
- the information contained in the prospectus a 11
- each flow projection such as Mr. Glynn has pro-12
- pared? 13
- No. sir, I do not 14
- Have you at any time soon a cash flow 15
- projection of the kind prepared by Mr. Glynn by a 16
- prospectus approved by or permitted to become 17
- effective, of the Securities and Exchange Commis-18
- giong 19

- No. Bar, I have no:. 20
- What is the difference in the hermer of 21
- approach between the cash flow projection of He. 22
- Glynn and the pro forma cash flow which you have 23
- prepared and which is or was prepared under your 24
- supervision and is Table 1 to your afficavity

2	A Just a word about a pro forma statement
3	first, sir. A pro forma statement is intended to
4	give financial effect to certain assumed trans-
5	actions. In the present case those financial
6	effects would be added to a set of given facts
7	which in the circumstances of Table 1 would be
8	the new forms earnings data of General Host for
9	the fiscal year ended October 5, 1968.
10	The principal difference between Table
11	l accompanying my affidavit and the pro fores
12	statement of each flow which Mr. Glynn prepared
13	for the year 1969 is that his forecast is based
14	twom Sorecasts and projections of the results of
15	operations of General Most for the year 1969, wherea
16	the cate which we used and which was the date o'm-
17	tained in the prospectus is based upon the sexulngs
13	data and the pro forms carmings data of General
	Host for the fiscal year ended October 1, 1961 as
19	set Corth in the prospectus.
20	Q Is it correct to say that the each flow
2.1	projection of Mr. Glynn is besed upon a production
2.2	of operating results during 1969?
2.3	A I would assume so, yes.
24	THE COURT: Well, the difference as he

CONTRACT COURT BUTTERS HIMPE STATES COUNT FORE

Prices Search, a. St. St. In. C. School

THE HOLD CONTRACT TANK

1	lhjb Zick-eilect JA1221
2	based 1t on the forecast for the year 1969 and
3	you based it on a historical fact?
4	THE WITNESS: Yes, sir.
5	THE COURT: That is the difference
6	which he set forth in the affidavit. Didn't Mr.
7	Glynn state that inhis affidavit?
8	THE WITHESS: Yes, sir, he did.
9	Q Is the Persons of 1969 which Mr.
. 10	Glynn has used between or worse than the accusal
11	operating results reported in the prespectusi
12	MR. HC AHES: Tour Honor, I chicar.
13	to that, to the forms of that question.
14 .	WIR COVER: Surfaired as to form.
15	Q CGM yest
15	THE COUNTY IN LICE STATE OF SALES STATE OF SALES
17	if you want him to state that, but is in again to
13	looking at 1t. I will allow bin to state the
19	difference between the two.
20	Q Would you state the dalfessage, plote,
21	between the operating results as prejected or
22	prodicted and the account characted, remained
23	A It appears to me that the forecast

1

Perconstruct by the control of Co

flow restains is a consensially injustive to

pro forma net income in Mr. Glyan's pro forma outh

24

( 1

24

25

we have, cir.

RESERVED FORTS CONTENT VARIOUS COMMENT VARIOUS POLICE OF THE PROPERTY OF THE P

2	Q From an accounting point of view,
3	are there any deficiencies in Mr. Glymm's cash
4	flow projection which appear on the face of the
5	document?
6	A Yes, sir, there seems to be one thing
7	missing that strikes me as relevant.
8	Q What is that?
9	A At page 49 of Mr. Clyan's tests our or
10	his deposition, when you were inquiring as so how
11	he or sputed depreciation, in response to the
12	question, and I quove, "With respect to sepresion
13	tion and amortisation, how is whe figure \$8,800,000
14.	530172G 50?
15	"A White is our assists a of this condi-
16	production and acostinuated used be for 1949. In
17	has generally proven to be a very convents or thenve
18	It is based on our capital expenditures up whrough
19	the end of the year plus on estimate of the espital
20	emenditures for the coming year."
21	I suggest that the statement "net each
<b>2</b> 2	flow" in Mr. Glynn's projective is in conciseed
23	with his statement that they have given effect to
24	an estimate of empital expanditures for the coming
2.5	year beaute no such capital a pauditumen suc

CHERRISON LANGUAGE COURT THE OPTERS Munga hansa Court Folds THEIR POPPERS, IN WARRANT TOWN ON THE PROPERTY COMMENTS WANTED

2	nortions	of	the	egsets	presently	held	bу	1t	or
	100000	~ ~	P. V V P.	6.00000	ha cocorous	***	~ 3	-	

- 3 by Armour. If no such merger or consolidation
- 4 occurs and if General Host has not acquired more
- than 80 per cent of Armour's common stock which
- 6 would allow it to enter into tax saving arrange-
- 7 ments, General Host may find it necessary or
- 8 desirable to increase the dividend paid on common
- 9 stock by Armour or to incur new indebtedness of
- to issue additional equity securities."
- 11 Q Mr. Zick, 61d the parograph that you
- 12 have just read appear in the original regulatration
- 13 statement General Host filed on December 30, 1963?
- 14 A No. 622 10 02d rot.
- 15 Q Did it appear in the first amen boots
- to the registration statement filled on January
- 17 23, 1959?
- 18 A No. 812, 1t did not.
- 19 Q When, to your knowledge, did it appear
- 20 for the first time in any emeniment to the soulstra-
- 21 tion statement?
- 22 A The first time I saw the constant was
- in anandment No. 2 to the registration statement
- 24 which was filed tarler date of Jendamy 29th, I be-
- 25 31090 -- January 23, 3369.

COUNTRIES FIRESCY COURT OF CUITABLE

Union House Court & J.F.

Valley Dounds II. V. 11. 11. 144.07 Tall to the GOS court Version

MODERNAL PROPERTY COMMERCE E-CONTROL STATES COMMERCE E-CONTROL E-C

COMPANIES AND AND SERVICE STATES OF THE STATES

STREET STREET

CAMPAINTING IN A A 400 PART OF A CON-Maria Company Rev And the state of the state of THE SHEAD ST.

1	lhjb Zick-direct JA1229
2	that paragraph, and that sentence reads, "The
3	acquisition of a majority of the common stock
4	of Armour & Company will be accounted for as
5	a purchase."
6	That is the statement to which
7	THE COURT: You think a stockholder
8	who got that prospectus would draw that inference,
)	80.27
1:3	THE WITHESS: I just upsted to be avea,
11	sic, that so understood that.
12	THE COURT: I take is force or as small
13	this statement, did it not, this prosperuus?
11	. THE WINDLESS: 7 mund of the a sec.
į.j	with Collection and the agree of the collection
15	this els, in the improved of
1/	AME WHITEES: I IS DESCRIBED AND
18	own Impwiedge, sir.
19	MR. MC AMIS: Your Honor
23	THE SOUNT: Just after septing that h
?{	em not going to take statements by sour al, as / &
2 %	as the withdoods are called the alfold are holds
23	to testify. The lawyers will not rube the space.
2 \$	ments. You may quassion him shert is.

Browning the real of the factor of the facto

	у	JA1230 99
T2	2	Q Mr. Zick, referring again to Mr. Glyna's
	3	affidavit
	4	THE COURT: What page is that?
	5	MR. MacCMATE: This time to paragraph 9.
	б	Q I invite your attention to the scatenes,
	7	"We do not agree that taking actual earnings
	8	during a prior period is a valid method for computing
	ş	Esnaval Enact's ability to corvins was obligations
	ic	incurred in a subsequent ported."
	11	Do you, Mr. Siefe, ogree with Mr. Gigan a
	12	statement in that morpost?
	13	A in the contest in which Mr. Olynn
	14 .	agents, I take uninsuge with the word "restont."
	15	ಟ್ತಾರೆತ್ತದೆ ಜನರ ನೀರಿಸಿದ್ದಾನ ಅರ ಸಂಬಿದ ನ ನಿನ್ನಾ ಇಂದಾಗಿ ನಡೆಗಳ ಸೆಟರ್ನ್ ಹಾಗುಳು
	16	broned on author cromings, in the Late on the
	17	basis of Conormal Post's pro Comma envelogs.
	18	Q Mr. Elok, referring to paragraph 10
	15	and to paragraph 11. I invite your attackion
	20	to the fluxt parteness, first, of paragraph 13,
	31	"Another of Armone's points is that erroreiss of
	40	the warrants tould russit in a very major dilables
	23	of carmings per saure. This point was factually
	24	incorrect with rengest to the temps of the employed
	2.	erenange effer."
		THE STATE OF THE S

1	rmh-2 Zick-direct
	JA1231 100
2.	Do you agree that this point was
3	factually incorrect with respect to the terms
4	of the original exchange offer?
5	A Eo, sir, I don't believe it was
б	factually incorrect. I believe what he is saying
7	is that there are differences in the application
6	of accombing theory. In this particular circumstant
Ģ	Mr. Clyno, I on these, is relying ablety on do
10	opinions of the Accounting Principles Roard of
11	the American Institute of Char and, in porticular,
12	with an opinion expusesed by that board on asporting
13	carmings per chare. I have no mancon to balicre.
14 .	sin, that the Accounting Palestoles Court
iż	issned that particular opinion and her is mili-
10	in se Caing a mitantion thems the manufact of a comme
1.7	Actual would be of the onlar of stubbles the
:0	number of aboves presently outstanding on fram
:9	times the pro forms madean of shows bitstanding
20	at a perdicular deta.
33	MR. Mechanic I have to further
32	quantions of Mr. Sick.
23	THE COURT: You may in quine.
24	CHOSS EXPARED STOP OF MC. Deficies
75.	n He. Eich, with minerace to the seventer
	Frantis, mar a company to the state of

- that have been attached to your affidavit heretofore 2
- mentioned, I will ask you whether you have in front 3
- of you those schedules.
- Yos, sir, I do. 5
- In your affidavit you state that these б
- schedulos were propared undor your supervision. Is 7
- that correct?
- That's commet. 63 3
- By whom? Q 10
- Propered by Mr. Ensebane of ear abile. 23 11
- Hr. Bohn of Ameoux & Conycoy and, in come meature, 1.2
- aided by ma. 13
- Q Were these cehedules prepared at hourse's 16 .
- ressect? 15
- Thay ever your cred of the regions of 2. .6
- Amiour's counsol. 27
- Mr. -- whok is his mans? Q 31
- Louis R. Millor. 23 19
- pid Mr. Miller speck to you chould 163 0 20
- We have sychon many, wany times, six, 22
- about this. 22
- Did Mr. Miller request that you propers 23
- these schedules? 24
- Not in the many matche, to. 75

CONTRACTOR DESIGNATION OF THE CONTRACTOR the second and the rest in

Same of the Other sec. 20 to 

1	JA1233 332
2	Q Did Mr. Willer make any request of you
3	with respect to these schedules or the information
4	contained therein?
5	A We have discussed them many times through
6	their creation and Cormation and ultimate conclusion.
7	Q that specifically ware you asked by
8	Arrows a consect to des
9	A We were artist to, intilities, with not not
10	to the December 27th pressy statement, less into
11	the financial aspects of Great . Such Control Cien-
12	2 That is, you worn girls to Recultum 27th
13	promy statement?
16	A Yes, six. I balieve building it was
15	a Perce copy.
342	C Wind was gain belief to five
1:	A the researched to lock into the Market bd.
31	data of General Host contained in that prosp
19	statement and see what cort of a company control
20	Host tes, which its Minametel attemption were, and
3.1	3 D Off.
2:4	C. Amphiliag older
23	A We were asked to preprie any activities
2/	that to thought which be reduced in the whom I was
2:	"we," again I am restarring to 1 to of home or a
	Ten er fente fra 16. M. N. V. Salter C.

1	rah5 Zick- cross 103 JA1234
	accounting possile, my own staff and myself
2	to propare analyses of data we thought might be
3	to propare analyses of the proposed
ly.	partinent to an understanding of the proposed
5	transaction.
6	Q Are these charts that are attached
7	to your affidavit the result of that preparation?
8	A Yes, cir.
9	C. And bluch charge were gregorial mades
10	your supervision?
11	2 Tes, 211.
2.2	Q Is Trico, Theoripade I understant
13	you are a parkaer of Price, Waterhouse; is that
19	
15	3% X 33%
36	Q Daco Prist. Wherefore oncors out to the
17	with respect to the information contained to the
18	charts attached to your affidavit?
39	the same as to the males of our
24	profession to oughtes spinions to pure force
5	pagerdiagly we have not.
2:	to ac you for the information
*3	3 contained in these charte
4	M MT. FOLDER I R. J. 120. NORTH HOUSE
:	s gracows. Cyerolof.
	CANCELLANGE CONTRACTOR OF THE CANCEL
	tren v francour. V. V. M. C. COLUMN Tren we in the column of

23

Ext. Mr. Committee as mines and

we have then added then to a know questily, which

that these crassections would have place or .

1	rmh7 Zick-cross 105
	JA1236 105
2	was Ceneral Host's October 5th data. I shouldn't
3	say "we," Comeral Host has done this.
4	THE COURT: If you don't mind the
5	interruption, counsel, as long as I am on this
6	subject, you have projected to estimin future
?	income in General Most based on a percentage
·r	es evacuably of special da America.
9	THE WINKER: We have set projected, six.
10	Those Jiguras are taken fines the prospenses.
12	was consume Your competation to based
12	on that?
13	THE MINNEYS: You, cir.
1.4	was course to the Lerongo of a St.
8.3	per cont memorship, you have a figure of, deprecial
1.5	ca the charge which exact 5% per cent, of
17	\$5,539,000?
13	THE WITHING: Yen, sir.
19	una comus thet in breed on Amount a
20	Company cannings:
23	THE PERMISS Ho. What perficulty figure,
2.2	your Honoz
23	THE CHIRDS What would come by way of
24	61vidando?
23	the account of those to the open
	CONTRACTOR OF THE CONTRACTOR O
	District Control of the Control of t

3

JA1237 dividends, yes. THE COURT: What was that figure based on, do you know, according to the prospectus? THE WITNESS: Yes, sir. If you will note 5 down at footnote D --6 THE COURT: That is 5% per cent and it is 7 on the number of shanes but it in turn had to come 8 from some statement of incame in order to be wile 9 to declare the dividouss that reach that figure? 10 The writers: It is the cusumed amount 11 of iscome which General Host Gordensts that it would 12 obtain at that level from Amsour & Company in tho 13 form of dividends bused upon Associa prise it 14 dividend rate. 15 THE COURT: Exsec or the propert d'ellers 16 ratio: 17 THE WINDSE: Yes, sir. I believe that 18 rate has been in effect for --19 THE CHURE: I was going to sak taxt, 20 has that been a fairly constant rate? 21 THE WITHING: If memory server we, sir, 22 I think it has been about four years. I will take

> (Fourse) Progrestibly the page E ask : to REPOYMENT OF THE NEW CONT. N. D. S. W. W. Ottobale i mera Cart r 1 4 Trues 15 the 77 14 1

a graint look at that.

30%

167

.

ı	JA1239
2.	2212 COURT and that is one point of
3	difference between your statement and Mr. Glyan's
4	statement. All right.
5	Q Is it your testimony, Mr. Zick, that
6	all the data used in proparation of this table 1
7	attached to your affidavit comes from the General
Ej.	Host's Sinencial statements that have been introduced
0	tere into ovidence:
30	A with the sucception of one sections
11.	on this twile.
10	C What is that?
13	A The last sentence on the page, which needs,
1.1	"Amusar & Congon; por its 1910 amusal se poi:
1.5	ee sheroholdese, espanded (31, ks, 500 see )1 p
16	and equipment in 1985 and on brone of 8 4. C. 19
1?	der the Sive proceeding years." Her date for
13	that note was taken from the poslidies on wa.
19	reports of Amsuch & Compony.
20	c with that examption, he must of the
21	data come from copered Wost's financial size mense?
22	A los, air forgive or, it come from
2.3	the prospectus.
2.5	ment compare they would all have the discussion
2.5	representable will appropriate the the tefour Arr I com-

2 asked	him	about.
---------	-----	--------

- 3 M.R. Mchille: I stand corrected, your Honor.
- 4 That is what I intended to ask.
- 5 A Yes, the prospectus.
- 6 Q This table 1, Ar. Bick, is catitled
- 7 "General Most Corporation pro forma cach flow
- 3 (dollars in thousands).\* For what period is this
- e chart supposed to relient terms at most's cast flow
- 10 A ME rellacion the grow for an early flow of the
- 11 Constal East Congention for the misery, your and A
- iz catabor 5. 1966, brood upon the opplicable of the
- 13 gro forms assumptitions and by Command Hose in the
- 14 year personal of the production
- . 15 G Le a chiloridand die 32 de geer engelde y.
  - is in the month where there expressed, traine to a mer the
  - if gurports to be a guajastica of the south A or for
  - 18 any salangana geried, that is subsequent to
  - 15 Catolog: 5, 19682
  - To The Manual of Connection
  - St. S. Do you been may onder the dirp. the Since
  - 22 Ho to shat poriod of time functual Zout with to
  - on commissi to meet the dobt revise or interest
  - Dr. the thirt than At By pare 15 to be exchange to
  - DI COLOR CONCER KEEK & F. Properties to derive a de kidle

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2	Eres on all	2.20	m 450	C'esm	2
2.	tend	.23.	O.L.	ا مله الله الله	6

- 3 A I am not sure I understand your question.
- 4 Q Isn't it a fact that Conoral Host
- 5 will be called upon to pay interest on this debt
- 6 14 1969?
- 7 A Assuming the debt is issued, yes, it will.
- 8 Q Was General Hort called upon to pay any
- 9 such debt for the period reflected in teble 20
- 10 A The pro forms Sinancial statements
- 11 Which, as I described curling, give offect to
- 12 verious assumed transmissions would ---
- 13 Q Does it give effect to the issuence
- 14 of may doubt as a result of this or overe sides?
- 15 A Why, containly. That is clearly fascribed.
- is air, in Chasmi Doct's notes to per firma commune
- 17 of income, which I believe is on 1100 15.
- 18 Q My question is, is it reflected in table i?
- i) A You, sir.
- 2) 9 In what it 10?
- ti a cari flow is gonerally -- plume let
- 12 me say "granushily" -- yenerally defined as not had sa

1 15 10 C 1 10 15 F

- 23 for a pariod plus mon-chair expenses which have here
- 20 token into second in Commissing Conf. mor in sweet
- 25 And white are those man-each organizate?

  End of the area those man-each organizate?

Hara to a sect to a very to the

project and interest to the contract of

These series does not a recess

CHARLES REMAIN NO. 3, 11 1, 15 000 Section of Contract of

a a	1	lhjb-2	Ziek-cross	JA1245	113
	2	A	The only information	we have with	respec
· . ` ` .	3	to General 1	Host's 1969 operation	s is that pro	forma
	4	statement wi	hich was attached to	Mr. Glynn's d	ep <b>o-</b>
	5	sition.			
	6	Q	Other than that you	had no inform	mai/2on
	7	at the time	you were preparing	Table 1?	
	3	A	No, 83.2.		
	9	Q	Old you nok Gameral.	Host for the	
	10	informatics	17		
	23	A	I did not, sic.		
	26	9	Do you know whether		
	13	half of Par	ies, Meterhouse, Chi	ago or Armous	· paked
	1.7	Wannel Fo	st for me audi into	25 31007	
	15	A	1. Lo		
	16	$F_{i_0}$	Do you was sured £4 A		
	17	what Cera	ള് സ്കൂർ സുവിഷയിലെ വിദ		13
	16	in 1)69?			
	19	Α	I would consider to		
	20	1969 earn	ingó as imbrosping t	us harely ver	C 1 65.
	.21	(3)	That is your opin	047	
	32	Â	Mos select ma, sic.		
	23	Q	Is that correct?	and you ame t	archard.
	2.4	rour opin	dea, is that coarce:		
	. 9	2.	Library 1 this		

The second of th

I have given you a purpose.

A The purpose is for a client to go

that the second of the second of the second

And her we have to be because in "

to a bent and berrow money.

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now process a wanterstry affairs, a magnitude of the

of the company as to disk they is conded to its which

tert, with elective shaped access in or the pure

the finish and the morning they is the paint in w

those enames, you, it is not not not unues, " out.

we weall be sold haply to help a sileat nous op-

That would involve a projection of

or account of the control of the

White seals indicate the result of the

such a use for a utalement.

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1	1hjb 24ck-cross <b>JA1249</b> 117
2	schedules. You will note this says "Revised."
3	I was advised I believe it was Monday of this week
4	or perhaps it was Sunday, I forget which, that they
5	would be submitted in this action.
6	Q Are you saying that on January 31, 1969 you
7	had no knowledge or information that this document
8	would be submitted in this school
9	A I had none of my own unculodge, old,
10	no.
11	Q Had you been informed by Mr. Miller of
12	by anybody else as to the intendal purpose?
13	A the intended purpose was simply to up-
13	date, if you will, mindles secretly sirils
33	data which had been proviously is pered if you
15	are gazae, there have been expressible describit
17	for us to look at, there have term innumber the
18	changes in the offer, and we wars quite freshing
19	simply trying to bring it up to date on the
23	bails of the most recent inferrables we had.
21	Q Wole you aware on the time while were we

wised, as you say, that this action was perding 2%

Yes, sir.

MR. WO MES: I have a familiar of receases,

nom donor. 25

23

2.1

CONTRACTOR FOR STORE THAT THE STORE COLOR number of a control of the control o

1	This Zick-cross JA1250
2	MR. DUFF: Your Honor, with your
3	permission, I would like to ask the witness just
4	four questions
5	THE COURT: You don't need my permis-
6	sion, you are a party to this action. You have
7	a right.
8	CROSS-ENAMINATION BY MR. DUFF.
9	Q Mr. Sick, would Orice, Waterhouse
10	permit his opinion to be included in a registra-
11	tion statement of any company if it ballsword that
12	there were any misingding statement in any por-
13	tion of the registration statement?
*. P;	A I sincousty hope not.
15	Q When the registration statement has
25	filed with the Soundains and Eruhange Commandia
17	was a written was a signed opinion of Price,
18	Waterhouse & Company impluded in that document?
19	A I have no way of knowing, sir.
20	Q Would you know whother or not 25 an
21	customery in commention with regulatration state-
22	ments that a signed opinion to part of a registre-

A Signed pointen and a someon which 21 don't entirely with the finematal supects of a 35

tion statement?

23

Exercise to the second second

2	Host Comporation?
3	A Not to my knowledge.
4	Q May I repeat a question, and this is
5	my last question, your Honor.
6	Would Price, Waterhouse & Company page-
7	mit its opinion to be included in a registration
2	statement of any courany if it bolisved that there
3	was mer misleading sustained in our parties of
10	the registration statement?
14	A X tent respond, wir, that the grade
12	malayes we the Illiencial content to in a section.
13	tion statement. It does not relate
	. In. pure: I believe the without is not
14	ELECTRONICO DE CONSERVA DE SERVER DE CONTROL
1.5	Compared by The Compared by th
15	COMO CO DE SOCION CONTRA CONTR
17	with the last emilit. May I repeat at quartical
13	
19	your Resor
20	A E employeemed prove ou addom, also
21	e fould you ploted shares 260
	A My amperso is that our opinio relater
22	to finincial states onto the and included in a
23	rogistiation statement and I simposely hope that
24	to reside the edge to equiplicate the resident of
4.5	

The same of the sa

9.

i	1hjb- Siek-cross JA1252
2	registration statement and with a reference to
3	accountants as expents, that is, a very limited
4	opinion, not dealing with the text of the registra-
5	tion statement, is certainly a general requirement,
6	and I have no reason to believe one such an opinion
7	was not signed. But I do not know that it was.
8	Q You believe both an opinion and a con-
0	sent was signed in acquirestive which the wealth and a
1.0	statement and amondreat No. 1 and amendment No. 67
11	A I have no rerect to les to les or de
12	was not. But I would cartainly regain assume the
13	the fire signed its opinion as General Eost's as-
14	· committee to .
1.5	4, CAC post list so the cost was find on
16	Watering one a Complete of the care and and and
17	opinion in economics with suiz regression of the
13	ment and these mornings which have been blocked
19	in evidames today on behalf of the annual Hook

Corporation? 20 A I general so. 31

C Haw Firder, Watschout & Coroom 2: W 7.2 time informed the Becarities and Eathenge dem Assich that they believed that there we may elabore up 24 Induced the last the properties of the second second 7 5

1	lhjb Zick-eross JA1253 121
2	statement in which we had reason to think there
3	mightbe false or misleading statements.
,	MR. DUFF: Thank you very much, your
4	Honor.
5	THE COURT: All right.
6	If there are no further questions,
7	the witness way step down.
8	MR. MAC CRATE: No redirect, your
9	Honor.
10	(Witness excuse 6.)
11	THE COURT: Call your next witness.
12	Do you have another witness?
13	MR. MAC CRATE: Yes, we do, your Honor.
14	We would like, before calling the witness, to offer
15	es plaintiffe' exhibit a copy of an exchange effer
16	to hollers of sommen stock of Great American Hold-
17	ing Comporation for which the dealer-managers are
217	Allen 2 Company, Inc. and Eleimer, Sell & Company,
151	Trie.
20	MR. MC AMIS: I object to that offer,
21	Mone Honor.
2%	THE COURT: What has that got to do with
23	this case?
2.1	Ma. HAC CHATZ: Ment Henor, I would also
25	
	personal actions. Seeks for our sixo

COUNTY CONTO. COMES FORCE THE THE STATE OF T

at the same time offer a second document which 2 is a letter from Great American Holding Corpora-3 tion to its stockholders dated January 2, 1969, Ą and notice of a special meeting in which it is 5 proposed that among the directors to be elected 6 following the acquisition by National General 7 Corporation of 75 per cent of the stock of Great 8 American Holding Corporation will be Eschept A. 3 Allon, Jr. One of the subsidieries of Great 13 American Holding Corporation is treat Twentoen Tare 11 Insurance Company which is the purchaser of the 12 block on the Pacific Coast Exchange and the 13 purchaser on the Michaet Ercharge, transactions 14 exceeding \$6 milli m in Armour grook, that the 15 made list Trider, January Sico, thout thick to leve 16 been making earlier. And on roll setod in Gione 17 two documents, the same investment benkers werking 18 together, filten & Company and Listner, Bell & 19 Company, and lw. Allen as a Circavar of Grand 20 American Rolding Comporation and in this Event 21 Imerican situation which now appears as the ellert 22 of Kleiner, Boll buying this stack. Now, this is all that we have put together of this piece over 23 24 the lunchers rocass after we had the 25

COLUMN DESILET COMPATIBLE CONSTRUCTION OF THE COLUMN CONTROL OF THE COLUMN CONTROL OF THE COLUMN CONTROL OF THE COLUMN CO

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7		-		- 4	- 4	-	
Co	in	f'O'	AM U	59-7		Oii	-
	4.54	L ~ .	A	16.00	PL HELL		

THE COURT: What inference am I to

4 draw from that?

MR. MAC CRATE: The inference from

6 this, your Honor, is that these were in fact

7 solicited transactions by Kleiner, Bell with

8 respect to the purchase of Armour chares.

THE COURT: Simply because there is a

director there who is a defendant in this action?

MR. MAC CRASS: Your Honor, the whole

nature of the transaction here --

THE COURT: This is as much surmise

14 and oppositables as I have ever heard in the light

15 of sworm testimony to the contrary. If you feel

16 happy, put it in the record. I am making the chara-

17 ment now for the record this is absolute surmice,

is conjecture and suspicion as against swown testimony.

19 Let's no: spend time on it. This is spreading out

to unbelievable lengths. You are not really try-

21 Ing the ease altogether on the merito, although

22 apparently this is what you are heading for. I

think you are forgetting the fact that this is an

application for both a temporary restraining order

23 and a preliminary injunction.

2.3

## JA1256

124

	MR. MAC CRATE: Your Honor, we feel
,	THE COURT: I said I will take it.
ŀ	I think we will save time that way. I have stated
5	my position on the record. You have sworn testi-
6	mony with respect to the nature of the transcoulon.
7	It would appear no man can ever serve on the board
8	of directors of more when one corporation without
9	running the risk of involutions and i dispersion
0	ference with respect to his conduct on another.
11	MR. No IMAS: Note by objection or the
12	record, please.
13	MR. MAC CRATE: Your Honor, with mapped
14	to the swoom tooking to which you referred ? . a
15	individual who was becalifying and monopole at the set-
15	adge of the transactions show which is the interest
17	he had simply obtained information over the
13	phone as is reflected in the deposition of No.
19	Shapiro of Petronny 3rd.
20	MR. DOLFNERS: Boar Honor, I will black
21	We. Exerting white the citation of the spine see the
22	order slips with respect
23	THE COURT: That is what he said. He
24	said it was revealed on the occaleration slip, as I
2.7	manonicor 10.

Content of the present of the site of the

## JA1257

2	Q	Mow long were you with them before you
3	bесеме а ры	etmor?
4	A	I joined Wertheim Company in July 1949.
5	I have been	in the Street for almost 20 years, all
6	with Werthe:	im Company.
7	Q	As a part of your duties with Werthein
8	& Corpany h	ave you analyzed the financial coats-
2	moses of va	riova ograecations?
C	i.	I have, sir.
13	()	Mayo you because addisor to reform
12	compension	s in electricity with their discular.
13	A	That is a major portion of my activities
14.	9	Have you wondered on a number of rent our-
1.	V\$64 75.45	HARRE ICINA RISI Was WOUNDERLAND IN
10	Baelmanya Ve	2142935037
17	A	5350 35 30333 25, 3334.
19	Q	Na cas crimse at your duties do you
15	evaluate so	pourisies and corise oustances?
2'3	A	
2.1	energy by Ar	da constantes of the first but with a ser own
20	_	to deal with exercise is. Secretions 7 de,
2)	however, d	eck with institutional or occupied and the
2 i	retnil ens	
	(-	pa; on the sale to the polymerical grade of the

1	lnjo			O	wett.	-03 r:		JA12	58	12
2		0	Vov	Lenne	wore	vou	wi ch	thom	before	yo

2 Q Now long were you with them before you

3 became a partner?

A I joined Wertheim Company in July 1949.

5 I have been in the Streetfor almost 20 years, all

with Werthein Company.

4

5

9

17

23

?

7 Q As a part of your duties with Wertheim

3 & Company have you analyzed the financial state-

ments of various despenations?

10 A Thave, sir.

1) Q Have you been an advisor to restout

12 corporations in consequent with their fire chapt

13 A That is a major provider of my activities.

16. Q Have you worked on a number of regulator -

ti tina systempes siled wise the i services and

15 Encha the Gon Maskon? -

A Sint is comment, war.

13 Q In the course of your duties to you

19 evaluate occuration and advise dustomore?

20 A Elevature properties. E do not dell

pavally with operand of the line but with so the

paranno the deal site erstered at Sarstine in C.

however, deal with institutions tor occasionally

rotail customers.

Q Do you bay to cosp wourself of her all a

STOP TO SELECT CONTROL OF THE SELECT CONTROL

1	1hjb Cowett-direct JA1259
2	familiar with the financing of corporations where
3	you are an underwriter or where your competitors
4	in the street are underwriters?
5	A I hope to.
6	Q I think you have with you, Mr. Cowett,
7	Defendants' Exhibit B in this case, the prospectus
8	of the General Host Corporation dated January
9	30, 1969.
10	A I have, sir.
11	Q I would appreciate it if you would turn
12	to page 14 and read the note on page read the
13	language on page 14 appearing just above Note 1.
14	A "The amounts included above for pro forma
15	General Host Corporation assuming Armour is to per
16	cent owned, 60 per cent caned, 80 per tent out ad
17	and 100 per cent owned, do not include any ascunt for
13	appreciation of the estimated excess of the pur-
19	chase price over the net assets of Actions acquired
20	of 73,240,000, 86,249,000, 235,352,000 and 143,994,903
21	respectively, because the company does not have
22	sufflicient information at this time to make any
23	allocation of such excess. Then such allocation
24	can be made it is intended that the excess will be
015	alleraned among Armone's assets based on their

DEPARTMENT MICHAEL CONTROL (THE SAME S. FOR ST COVERS IN SUMMER SECTION WE SEE SOME ARROW WHILE SEE

а.	UNIZUU
2	present values. To the extent that such allocation
3	is made to depectable or amortizable assets, in-
4	creased approciation and amortization could have
5	a material effect on future earnings of General
6	Host Corporation."
7	Q Mr. Cowett, when such allocation is
8	made will the effect be favorable or edverse?
	A It could only be unfavorable.
3	MR. MC AMIS: Your Honor, I
10	THE COURT: What allocation? I don't
11.	understand. What allocation?
12	THE WITNESS: It says to the extent such
13	allocation is made, six.
1-:	THE COURT: To what extent world that
15	
15	be, would you know?  THE WITHES: What presumably would be
17	done is an approisal would be used of the someon
18	of an acquired compensation. To the extent that
19	of an acquared considered to have a fair value
20	above the value they were carried on the beside
21	you rould allegate a pertian of that exaces to
22	those assets. The balance would be considered
23	good will, and to the entent that an alleration
2.1	had been made to depressible isome, the feature
23	had been made to telegramme.

	041201
2	depreciation would be greater than the past de-
3	preclation. To the extent that the item had been
4	allocated to good will, you would then depend upon
5	the corporation's policy in emertizing good will.
6	There are various policies used. In most cases some
7	amortization of good will does take place. This
8	would also have its immet on the tax situation,
9	Sir.
10	THE COURT: The enorthesetion of Look
11	will. I take it, is a matter of judgment for the
12	beard of directorn?
13	THE WITNESS: There is Increasing
14	feeling emong copylationsod propie in the aboat
15	that amortication of good will, mould as a narter
15	of flanmeish pandones be made.
17	THE COURT: Made in whon?
18	THE WITNESS: That there should be
19	given a certain degree of amountration of good
20	will. I believe the SEC is chill taking the
21	attitude that if a comporation will state publicly
2.2	that it believes seed will is not being feorgedated
23	it will allow them at the moment not to amortize
¥ ± .	that good will.

Q Anywhere in this prospectus of General 25

> CENTRED IN DIGHTER DONE TOTAL TOTAL SC Minimo Hear and our fines proper market to the Valle Val

1	2hJb Cowett-direct JA1262
2	Host, Defendants' Exhibit B, can the stockholders
3	by examining that find out how much the earnings
4	would be reduced in future years by such alloca-
5	tion?
6	A ID would be impossible. Although it
7	could be very large.
8	Q Are you familiar with other financings
9	where such allocations have been made and the
10	details givan?
	A Well, I am familiar, I will call your
12	attention, to the ARM registration statement in
13	another contested offering wh re in the United
14	Pruit they made a guesstimate in which they sold
23	the figure was 33 per cent of the excess werk
36	Sentably be allocated to depreciable items . The
17	then went on to sey that while they had not elected
18	the impact on it, they did warm the offered that
19	the material that there could be a material
20	adverse impact on commings. The impact of such
31	allocation can only be adverse. It cannot rates
22	carrings. It can only reduce them. I would define
2.3	that was a fair and proper disclosure.
2.4	Q In your work as a partner in Wertheim

& October, Mr. Cerebe, have you worked on was loss

15

ENGREENISCOUNTRESEAU ACTURE COM A APPRECIA Control Control of the Art of the Art of the control Control of the Control of th

2.	financial plans for Armour & Company?
3	A I have,
4	Q In the course of that work did you be-
5	come familiar with the balance sheet and the
6	profit and loss statements of Armour & Company?
-1	A I would consider myself very familiar
В	with them.
9	Q Are you familiar with the recent
10 .	organization by Armour & Company of Armous-Dies.
11	& Corpany and the sale of certain shares of France-
12	Dial & Company?
13	A I had helped drew up the plan and we ware
14	one of the managing undertwitters on the stand-by
25	offer.
15	Q Are you familiar with the firme at
17	Which Arapur certles its resaliting stares of Armour-
18	Dial on its books?
19	A If I ney, I think Armour-Dial
20	shares are carried at practically nothing. But
25	behind that would be an equity in the asceta of Armour.
22	That equity, I believe, at the moment or as of
33	October 31st would be approximately 53, 54 million.
24	53 million, I belleve.
in d	Q . Have you any general pincin as vo

BEATMER'S DISTRICT COURT & 190 WEST LIBYSO STATES COURT LICESA PCL IV SIGNARE, N. V. 11 Y. 10307 YOURSON & GOOV CHOT THE STATE

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£	Injb Cowett-Cirect JA1264
	A Company have a
	whether the assets of Armour & Company have a
3	value over and above the figure at which they are
4	carried on the books?
\$	MR. MC AMIS: I object, your Honor.
6	THE COURT: Objection sustained. I don'
7	see how that is material here at all. Objection
8	sustained. You are not negotiating the purchase at
9	thistipe.
10	MR. DEAN: I offer in evidence, your
11	Monor, a letter from Richard Pistell, cheirman of
12	the board of General Host Corporation, and Mr.
13	Harris J. Ashton, president, dated January 30,
14	1969.
15	MR. MC ANIS: No objection.
16	(Plaintiffs: Ethibit 30 medeirod in
17	evidance.)
18	MR. MC AMIS: Your Honor, as I standed,
19	I have no objection, but I did notice that the
20	
21	notations which I believe were not part of the
22.	original letter.
23	THE COURT: You mean underscorings?
-	

MR. MC AMIS: Underscorings, yes, sir-

THE COUNT: I don't pay attention to

CONTRACTOR SELECTIONS CONTRACTOR SERVICES United Charge Count House Severance Officeration Tests & Pelsy Prince M. Y., M. Y. 10397

• • • • • • • • • • • • • • • • • • • •	Tulla	001117	, %	JA1265		*
2	them.					7,80
3	G 1	a. Cowett,	I show you	Plaintif	fs*	
4	Exhibit 10,	the letter f	com the chi	airman oi	the	
5	board and the	e president	of General	Host Cot	poration	
6	to the stock	holders of A	medur à Co	abena ce	ted Janu-	
7	ary 30, 1969	. I iraw yo	me attenti	on to per	ragraphs	
8	numbered 2 a	nd 3.			•	
9	A	I knot the l	atticz, st.	· -		
10	ç .	Is there any	thing in t	had logo	er which	
21	would smable	a spouldola	in a second	na hadan ರಕ್ಷ	a	
12	value of the	12 2002 239	eka ur omg	es here	Fr t. :	
13	value and th	en to compa	ea tiva vii	th the t	Common Co.	,
14	of the Gener	er Host off	2.25			
10	Ž.	Mami you si	the bet	to Note		
20		WED DOWN:	hoded is	2: . 7		
- 13	Q	Anything to	25.31.00.30	nt wise	t - Inc	
18	of take to	ansava of A	resour à tiq	about so	19 56 EC	12
19	in the open	market abov	ned dred en			
20		ARKE COURSE	Tou then	ter period	代数をより。	

the plant? Is that what you are noterita; the 2:

Do god understant bis questit, ?

THE ATMESS: I think west he is solding 23

is such merticuable access as would have a make by

to fou define market. 7.

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Figure at which they are carried on the becis. MR. HC MARS: I object to that.

assets have a wealtsable value over and above the

CONTRACTOR PROFILE CO SOL . PROFITE SEC Character Contains the containing th PRINT FOUR IS IN THIS TO TO BE

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2	THE COURT: I on again going to
3	make a systement that your statement isn't
4	swidence. The letter species for itself as to
5 .	whith the argu-
6	THE WINDERSE: Your Benow, I believe
7	off samming of minimoty of Philos Min
,*	groups for the North
5	term of the form of the second and the first of
1,5 -	As retire to the second of the second of
19	of theme. The for a district assert of an ac-
IJ	Mark -
13	THE DOUGH - It office thanks, and one
1.,	
1.	
15	to an income the control of the cont
	BESTER ASTOCK STIPLE TO A STORY
15	to an income the constraint of
15	Therefore becomes a service of the constant of
25 25 26	to an income the constraint of

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or	equity	in	those,	the	company's	underwriting.
				40.00	a compressed, m	programme as to the special to

3 THE COURT: As long as we are on letters, I don't recall it, I haven't seen it, I assume from what I heard this morning that management or was 6 he the chairman of the board or president of the company sent letters out to the stockholders. Heve you seen any of those letters? 8

THE WITHESE: I have seen the looker that was submitted bore this resming which was the advertisement. I have seen the letter that went out at Groyhound. I don't know of any others. There was, I believe, a letter at the time that "General Work filled the provy. Which nould don't him cack in late December. Whose are the only were that A linew.

## DY MR. DAM:

Let be Giroot your attention, Er. 18 . Sowett, to Defendants' Exhibit B, page Al2. In in 19 headed "Armour & Company consultabled statument of carnings." I address your attention to the fores that the item about helifrey from the page is headed, "Somether before entropyddingry Atoms." THE COURT: Whome is that?

IM. DMAN: Segs Atl of this Assung Au-

COUNTY MONTH DESCRIPTION OF THE TRANSPORT Africa to the County of the C Province Courses, at the them, as the

set forth in the letter from Mr. Pistell and Mr.

Ashton, dated January 30th, reported to be the

carnings of Armour & Company -- are they the net

carnings after the authropedinary Atams or the

carnings before the outraordinary items?

the letter, and the sems statement I bution to made in the registration attatement -- reference is made to the carolings after the enterential times, which would be the following lines if the enterior is retained to the following lines if the enterior is a the carolings of the the following lines is the carolines.

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II.

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in antitred may of this or work element driving were in a 20502

18 A Mos. I believe in carly Algart. 115.

19 Amnour retired a million filts bridged thousand
20 Shows, a few Wousend charact mass, and a . 12 Ac-

Exhibit 2, is now waiting given in number the commings to the westerment of the course of the distance of the course of the cour

ERUSETS FELL YOU GO ! TO SEE LE LIFE

2:

2		A:	. Dr "andauts"	Exhibit	-	this	೦ಡಿದ
_	1.				,		

3 (indicating)?

. Q YOS.

A . The only reference to Amnour & Company's earnings for the year 1968 would be on page A23. On page 23 there is the profit and loss statement, there is between two per chare earnings comprehetion, 3 one prisary cenefage and the other Schiy dilered In ecconômico with common accountive carnings. 10 convention, this is based on the walgard ambla: 11 of charas, the average number of sterros, which I believe for the year was approximately 7,180,000 shares. 13 the the supral report iteals, it is a abatas. The 14 alguno timb I beliave from the chargeing of the 62 strelysic is the trock olgalizations, for the two is also 25 and that was the bared on the year and our is as 11 charge, the number of charge that Paneur was going 18 to continue to operate with, the campings per 19 phone were computed on a pulsary basis on \$5.15. 22 and that is not medicated here at all. 21 22

2 Ross that Signed of \$3.72 eppoint in the detailed Simencial statements in Deformation\*
Exhibit D--

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BORRY Private to V. 15. U. 15. A. V. November 10 and

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4 that a stockholdor, from this prospectus alons,

S could find the extrings pur shows, ofter giving

5 effect to the chares retire? in 'C) was higher

7 then that set forch?

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it the deep a protocological

The second secon

1	rmh4 cowett-direct JA1273 141
2	than the SEC.
3	MR. DEAN: I am sure your Bonor is well
4	aware that the whole theory of the Securities Act
5	of 1933, of which I was one of the co-draftmen-
6	. THE COURT: I am familiar with it and I am
7	familiar with the many statements in the cases
8	as to the purpose of the registration.
9	MR. MWWFLIA: Your Monor, I object.
36	I think that is testimony now.
11	MR. DEMN: On the front of this very put-
57	specture it says that the securities have not been
13	approved or disapproved by the Securities and
₹,a	Month reading Temps from a
14	and thought I wadenday that
145	Q Ama you domiling with a purbor of obser-
17	debeature issues effected by other companies
26	recently, Mr. Comett?
85	A Securities offered just publicly and
20	recurities have been offered in exchange offers,
28	Yos.
33	Q Now common is it not to have any
23	restrictions on the goymant of dividende?

25 Resurrented on the poyment of dividence?

24 PM. Maiban. Hour Manor, I diject.

25 to that.

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JOHN SOUND M. V. M. T. 1 1000 YOUR WAS ARREST DA

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A - I choo you Plain Air Hairide I. for identification only ask you while their in-

A while represents a strate that we to made under my divoction. It is a chris of overy

we creat listed on the Frantisca Stock Paccengo. 13

It shows the market value at waid -- the acciden 1.7

price at which that weartet is sattler, the 213

number of warrett that the tubetowling, the 21

total market value, corsequently, of these variable, 22

the number of charge to which cade of these. 23

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2 .	were exercisable It also shows the market .
3	price of the common stock of the same company
4	it shows the exercise of the warrant, the market
5	price of the common stock, the shares presently
6	outstanding and the total market value of the
7	common. It was prepared for the purpose of
8	looking at a rather extraordinary feature of the
9 .	General Eost offer, and that is that you have,
10	and as far as I know theme has never in the
11	history of finance been anything quite this
12	eimilar
13	MR. McMMIS: I object to it, your Honor.
14 .	The contract of the same allocation and the contract of
15	it and you didn't object to it.
15	A The uniqueness about this office 40
17	that you would have, assuming 100 per cont
-13	acceptance by the Ermour charcholdens, .
. 19	14,460,000 warrants outstanding for a capitalination
20	that prosently has outstanding 2,498,000 or
22	2,500,000 shares of stock. I have some a fogor below
22	under which the representative of Allen & Company
23	rephasent the warmants adolt be worth between
21	11 and 915 you shows. Proceedibly, is they were
25	worth \$15 a slary, that would accoil a track
	FORDERSHIPS TO TO BE SET ONE ENGLISHED A FORD TERMS. I

2 market value to the warrants of	some curud 'ru cue'
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- neighborhood of \$220,000,000. The total market
- value of General Host at current market prices
- is about \$95,000,600. It is incredible that you
- would pay \$225,000,000 to buy at market the right
- to buy what you could the whole company for at 96,
- in any case. What this table shows is that
- there are two extreme cases of varrants versus
- number of shares outstanding. The two mest 343
- extreme would be Fattional General, the sammants
- resulting from their offer for thest American. 92.
- wherein they and up with a total watrants outstanding--
- But Meraiss Your Some , I abject 3.5
- 15 to this.
- MIN COURSE I Chick vs. are gring 4 to 213
- fortastic areas. The northly papers have a de-17
- the point and it is repeated in the moving payors 18
- that, in effect, this is a borrwing from stock-19
- holders to Sinance General Book Comperation and 2:3
- this is really what he is saying in a disserve 21
- 22 WELY.
- MR. DEAM: I offer this-23
- MAR COMME. Nour Digits me weblete 25
- with that and there are public statements to it, 23

CONTENT FREE FROM THE BY COMMENTER BY STORY OF BY THE COMMENT Dinney Course Co waste v :

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	Cowett-direct JA1283 15
1	rmh Cowett-direct
2	that both with respect to the debentures and the
3	exercise of the warrants, that this is really
4	a financing of General Host. That is in the payers,
5	is it not, that statement?
6	THE WITMESS: That was not the point
2	I was coming to, sir.
3	THE COURT: Moll, make the point and if
9	you can't make it within a reasonable time, you
20	can come back at the time I will fix, boost-
11	I have this other matter that is to be presented.
12	This may all be all right on the trial of a onto.
13	you know, and I am saying again I have to take
200	THIS DIRECTION OF HE IS THE ROLL WINDOWS THE TO
15	should be restructured. If there is sanctured
16	to the charges, that is one Cray, But this is
17	really on analyst's appreciaal to terms of what
13	he thinks is wrong with this proposal and I
19	have no doubt, and you correct me if I am woody,
-	the state of the s

he definitely would advise his clients ego 20

becoming involved in this situation or the 2%

stockholders making the exchange, if you wante and 22

23 Sucreiving.

THE UMENINGS ME I was the their the 34

23 no carcumstances ....

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planty Seminary M. J. Th. " 1436 F

rmh Cowett-direct: JA1284 152
THE COURT: Then why do we spend so .
MR. DEAN: I have one final question-
THE COURT: Will you take a while to
6 answer?
7 THE VILLESS: Not long, sir.
8 THE CODE: Finish your answer.
g . What this takes purposted to med
p you have approximatody 8,700,000 terments in
1 Mational General with a total as that of
Mat. Makarda Objection.
13 Tips Counti. I sustain the objection.
14 I so net interessed in Matieral festion.
15 . O One final questions Mr. Counts, is your
is expenience to you know of any obler windre we are
17 the number of warrants offered in relation to
17 the cutstanding common stock was as large?
MR. McRMIS: Objection.
23 WHE COUNTY I will will to him to answer.
3. Es ci a irigia chat.
20 MIE HERMEIS: E doa't think:
23 Wis COURT: The answer is yes or no.

one committe No. nim.

Do you imove

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7 MR. DEMY: I offer Plaintiffs' Exhibit 11 3 for identification in evidence. 4 MR. McAMIS: I object to that. 5 THE COURT: You may as well let it go in. 6 He has testified to it all right. The witness is excused and I will hear the lawyers in the other matter. 9 NR. McAMIS: Your Honor, in an efforce to bring this to a close, we will waive cross-minulation of this witness. 12 NR. DUEY: We will waive cross-minulations, 13 your Honor. 14 You want the witness back, at 6 o'clock. 15 NR. McAMIC: We use the county validat, 16 set tonight, your Honor. We just used a desirion, 17 to set tonight, your Honor. We just used a desirion, 18 your Honor appreciates, and we appreciate your efforts. 19 THE COURT: First waite the decision 20 THE COURT: First waite the decision 21 whether or not you want the witness back. 22 MR. DUEY: Ho, your Honor. 23 MR. DUEY: Ho, your Honor. 24 MR. DUEY: Ho, your Honor. 25 MR. DUEY: Ho. First waite has remained as another than a continuous county was the continuous manual county was the continuous manual county was the continuous manual county was the county was the county was the continuous was the county was th		*:	
MR. McAMIS: I object to that.  THE COURT: You may as well let it go in.  He has testified to it all right. The witness is excused and I will hear the lawyers in the other matter.  MR. McAMIS: Your Honor, in the other matter.  MR. McAMIS: Your Honor, in the office to bring this to a clone, we will waive cross-cumulation of this witness.  MR. DUFF: We will waive cross-cumulation, your Honor.  MR. COURT: I am gasgement to sat tradity:  MR. McAMIS: We are mercuetly within, to sit tonight, your Honor, is just and a decision your efforts.  MR. McAMIS: We made the decision whether or not you take the witness back.  MR. McAMIS: Wo, your Honor.  MR. McAMIS: Wo, your Honor.  MR. McAMIS: Wo, your Honor.  MR. DUFF: First make the decision whether or not you take the witness back.  MR. DUFF: Wo, your Honor.  MR. DUFF: Wo, your Honor.	2		MR. DEAN: I offer Plaintiffs Exhibit 11
THE COURT: You may as well let it go in.  He has testified to it all right. The witness is excused and I will hear the lawyers in the other matter.  MR. McARES: Mour Honor, in an efforce to bring this to a close, we will waive cross-emmalaction of this witness.  MR. DUFF: We will waive cross-emmalaction, your Honor.  MR. COURT: I am passeded to sit train;  If you want the witness back, at 6 o'clock.  MR. McARES: We are personally within, to sit tonight, your Honor. We just and a decision your efforts.  THE COURT: First make the decision whether or not you want the witness back.  MR. McAMES: No. your Honor.  MR. McAMES: No. your Honor.  MR. McAMES: No. your Honor.  MR. DEBY: No. your Honor.	3		for identification in evidence.
He has testified to it all right. The witness is excused and I will hear the lawyers in the other matter.  MR. McANES: Your Monor, in an efforc to bring this to a close, we will waive cross- extrination of this witness.  MR. DUFF: We will waive cross-extralables, your Monor.  MR. COURSE I am passened to bit fraction, if you want the witness back, at 6 o'clock.  MR. McANES: We are passently validate, to sit tonight, your Monor. We just used a desirious, as your Monor appreciates, and we appreciate your efforts.  THE COURS: First make the desirate whether or not you want the witness back.  MR. McANES: No. your Monor.  MR. DUFFE No. your Monor.  MR. DUFFE No. your Monor.  MR. LOWEVERIES: No. your Monor.  MR. LOWEVERIES: No. your Monor.	4		MR. McAMIS: I object to that.
matter.  MR. McANES: Mour Monor, in the other to bring this to a close, we will waive cross- mination of this withous.  MR. DUFF: We will waive cross-emmination,  your Monor.  MR. MCANES: I am program & so sit traiter:  MR. MCANES: Us are persectly withing.  MR. MCANES: Us are persectly withing.  MR. MCANES: Us are persectly withing.  MR. MCANES: We will was appreciated  whether or not your Monor. We just used a destribut,  mr. McANES: Mo. your Monor.  MR. McANES: Mo. your Monor.  MR. DUFF: First make the decision  MR. DUFF: Mo. your Monor.	5		THE COURT: You may as well let it go in.
8 matter. 9	6		He has testified to it all right. The witness is
to bring this to a close, we will waive cross- to bring this to a close, we will waive cross-emailments.  MR. DUFF: We will waive cross-emailments,  your Monor.  MR. COURTE I am proposed to sit trainer.  MR. COURTE I am proposed to sit trainer.  MR. KOMMIS: We are percently wilking.  To sit tonight, your Monor. We just and a declare,  as your Monor appreciates, and we appreciate  your efforts.  MR. COURTE: First make the decision  whether or not you want the without back.  MR. McAMIS: No. your Monor.  MR. DUFF: No. your Monor.  MR. DUFF: No. your Monor.	7		excused and I will hear the lawyers in the other
to bring this to a close, we will valve cross- mention of this without.  ME. DUFF: We will value cross-emalection,  your Honor.  ME. COURSE I am property so sit tradys.  MR. COMMERT I am property so sit tradys.  MR. COMMERT I am property villia.  The sit tonight, your Honor. We just ease a desirious,  as your Monor appreciates, and we appreciated  your efforts.  THE COURSE First make the desirion  MR. McAMERT First make the desirion  MR. McAMERT MO. Your Honor.  MR. DUFFE MO. Your Honor.  MR. DUFFE MO. Your Honor.  MR. DUFFE MO. Your Honor.	8		matter.
11 omenination of this witness.  12 NR. DUFF: We will varies cross-minutenion.  13 your Monor.  14 SEE COURTE I am promoted to set tradigns.  15 If you want the witness back, at 6 o'clock.  16 NR. McAMME: We are persuatly villian.  17 to sit tonight, your Monor. We just used a desiming,  18 as your Monor appreciates, and we appreciated  19 your efforts.  20 THE COURT: First make the decision  21 whether or not you want the witness back.  22 NR. McAMMES: No. your Monor.  23 NR. DUFF: No. your Monor.  24 NR. DUFF: No. your Monor.  25 NR. DUFF: No. Your Monor.	9	)	. MR. McANIES: Your Honor, in an effort
MR. DUFF: We will waits cross-ampalantion,  your Monor.  Mr. COURT: I am passent L on hit traily :.  MR. Modelis: We are passently videla.  MR. Survey and we appreciate the your efforts.  MR. COURT: First make the decision  MR. McMMIS: Mo. your Ednor.  MR. DUFF: Mo. your Ednor.  MR. LUMMIS: Mo. your Monor.  MR. DEFM: Mr. Macdata has reminded at accommon common comm	10	1	to bring this to a close, we will waive cross-
your Monor.  13 Af you want the witness back, at 6 o'clock.  14 MR. McMAIG: We are permutly wilking.  15 MR. McMAIG: We are permutly wilking.  16 as your Monor approximates, and we approximate  18 your efforts.  20 THE COURT: First make the decision  21 whether or not you want the witness back.  22 MR. McMAIS: No. your Monor.  23 MR. DURF: No. your Monor.  24 MR. DURF: No. Your Monor.  25 MR. DURF: No. Your Monor.	11	l	emmination of this witness.
15 If you want the witness back, at 6 o'clock.  16 MR. McAMIS: We are perceptly within,  17 to sit tonight, your Honor. We just used a decidion,  18 as your Monor appreciates, and we appreciate  19 your efforts.  20 THE COURT: First make the decision  21 whether or not you want the witness back.  22 MR. McAMIS: Wo, your Ednor.  23 MR. DURF: Wo, your Ednor.  24 MR. LONGSCOOK: Wo, your Honor.  26 MR. DURF: We, MncJato has reminished and  27 MR. DERM: We, MncJato has reminished and  28 MR. DERM: We, MncJato has reminished and	2.7	S	MR. DUFF': We will waite cross-subministion,
15 If you want the witness back, at 6 o'clock.  16 NR. McAMIS: We are perceptly wilking.  17 to sit tonight, your Monor. We just and a desiriou.  18 as your Monor appreciates, and we appreciate  19 your efforts.  20 THE COURT: First make the decision  21 whether or not you want the witness back.  22 MR. McAMIS: Wo. your Monor.  23 MR. DURY: Wo. your Monor.  24 MR. LOWETSTEEL Wo. your Monor.  25 MR. LOWETSTEEL Wo. your Monor.	1.	3	your Honor.
15 MR. McMAIS: We are perceptly willing. 17 to sit tonight, your Monox. We junk used a desiming. 18 as your Monor appreciates, and we appreciated 19 your efforts. 20 THE COURT: First make the decision 21 whether or not you want the witness back. 22 MR. McMMIS: No. your Monox. 23 MR. DURF: No. your Monox. 24 MR. LOWETSTATE No. your Monox. 25 MR. LOWETSTATE No. your Monox. 26 MR. DURF: No. MncJeate has reminished at a communal communications of the communication.	fact.	3.	the country I am propored to bit tradition
to sit tonight, your Monor. We just used a decision, as your Monor appreciates, and we appreciate your efforts. The Course Pirst make the decision whether or not you want the witness back.  MR. McAMIS: No. your Monor.  MR. DURY: No. your Monor.  MR. DURY: No. your Monor.  MR. DERM: No. Monorate has reminded at a command command of the part of the course of the command of the course of the co	1	3	if you want the witness back, at 6 o'clock.
18 as your Monor appreciates, and w. appreciated  19 your efforts.  20 THE COURT: First make the decision  21 whether or not you want the witness back.  22 MR. McAMIS: No. your Honor.  23 MR. DUET: No. your Honor.  24 MR. LAWKINGERS: No. your Honor.  25 MR. DERM: No. MacCrati has reminded to some manual endages of the first reminded to the manual endages of the first remaining the manual endages of the first remain	3	S	MR. McAMIS: We ame percently willing,
your efforts.  THE COURT: First make the decision  the whether or not you want the without back.  IR. McAMIS: No. your Empr.  MR. BURH: No. your Honor.  MR. LOWETHELD: No. your Honor.  MR. DENN: No. Macdeath has reminded to constant the manual constant the manual constant to	î	7	to sit tonight, your Monor. We just need a desimiou,
THE COURT: First make the decision  11 whether or not you want the witness back.  22 MR. McAMIS: No. your Honor.  23 MR. DUBY: No. your Honor.  24 MR. LOWESTING: No. your Honor.  25 MR. DEBM: No. MncJaki has reminish or comment of the state of the stat	1	31	as your Monor appreciates, and w. appreciate
21 Whether or not you want the without back.  22 MR. McMMIS: No. your Honor.  23 MR. DUBY: No. your Honor.  24 MR. LOWETPULS: No. your Honor.  25 MR. DEBM: No. MacCrate has reminded to communication of the communication	. 1	21	your efforts.
MR. McAMIS: No. your Honor.  MR. DUBER No. your Honor.  MR. LOWETSTEEL No. your Honor.  MR. DERM: No. MacCrain has reminded at a communication of the commun	2	10	THE COURSE Piret make the decision
23 MR. DUBERS MO. YOUR MODOR.  24 MR. LOWETSWARD MO. YOUR MODOR.  25 MR. DERMS Mr. Macdetake has reminded for sectional state of the section	:	15	whether or not you want the witness back.
26 MR. LOWETTUE: No. your Honor. 26 MR. DERM: Dec. Macdata has reminded to some some section of the section of	. :	22	MR. MCRMIS: Mo. your Echon-
25 IM. DERME DE. Minditale line reminded of		23 .	MR. DUERS No. your Honor.
expension and and action in the contract of th		24	MR. LODECHTES: Mo. your Honon.
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1 mm ch		* . 15
1 rmjb		JA1286
Z	EVENING SESSION	
3		6:00 p.m.
4		Section of the second contraction of
5		
6 WILBUI	R A. COWETT	, resumad:
7 DIRECT EXAM	MINATION BY MR. DEAN (Cont	inued):
8 . Q	Mr. Couett, have you exa	enist benime
s schediles	attached to the officeria	of M. Ho
10 that were	introduced in syldenes to	leg ?
11 1 4	I have, dar.	****
12 0	Have you are mined the a	abodene is
13 which he c	alculates the not targible	ಕಿ ಕಾಜನ್ಮಿ ಬ ಕ್ಷಣ್ಣ
14 . of the det	Supravace	
5	Total Land Containing although a	
17	terre your revenue of a	
17	Yea, A have.	
10 . (1	You previously tentific	
that the	professed about of Armens	Series Course e
the acat	of temped Most.	
21 4.	Tist's auriact.	
7.2	Is that preferred stud	. <b>42</b> 2-23 1 11

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That is not, ods.

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1	rmjb .	Cowett-direct JA1287
2	A	I think it should be, in computing the
3	coverage of	the debentures.
4	Q	Is there anywhere on any page of this
5	prospectus,	Plaintiffs' Exhibit B, where Armour's
6	stockholders	could calculate the net tangible as-
7 '	sets back of	the debentures?
8	A	Not unless he was an extremely skilled
9	analyst.	
10	Q	How could an extremely skilled analy a
11 .	calculate 1	to ?
12 7	A	An extremely
13		MR. MC AMIS: I object to that, your
14	Honor. If	he wants to ask what's to bes seen
15	such a sale	windion, E suppose
15.		THE COURT: I will must in the of,"
17	tion.	
13	Q	Have you made such a calculation?
19	A	I have.
20.	Q	Would you state what is is?
21	A	Et would indicate that the debendent -
32	that the pr	opesed issuance of \$147,540,000 variety
	Achemburge	accommence 700 man part scoon takes by the

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or approved arisely \$650 for avery treesent de Jero

Atmosp shereholder, sould have set hangible assets

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2			of debt.	There	would i	e \$18	1 mill	ion	net ta	angible	e
3	,	٠,	esset defi	cit, v	is-a-v1:	the	<b>ಕ್ಷರಾ</b> ಹಿ	20	Genera	l Host	
¢			on a conso	lidate	d basis	•					

Q Have you made a calculation as to the amount of interest that would be available for the payment of these debentures?

and machabildated basis.

Q Would you state what shat calculable: is on the both besent

the pro forms income statement in the registration.

ctstement, you would have accommon their off of it.

Augments records the training of

in this, which is not necessarily as a, would be about five million. In would take 52-1.2 million to pay the Armone professed atout for 52-1.2 million would require approximately square out of a first and the indepent on General Host's our independent.

Thus you would not shightly or or first be independent as a shightly or or first the independent as shightly or or first belief to the first pay a would not shightly or or first be independent.

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	JA1289
2	to sinking fund, as opposed to a total availability
3.	before taxes and before interest on a consolidated
4	basis of approximately \$63 million. Thus, on
5	consolidated basis we would have just over 1.5
6	times coverage, on an overall basis.
7	On General Host's own basis, depending
8 .	upon the level at which acceptance took place, you
9	could have a deficit.
10	Q Did you ascertain today how many shares
11	of Armour were traded on the New York Stock ! k.
12	change?
2.3	A Yes, 182,800 sharet was reported by
74	the Ulintonia System .
15	of Did you ascertain shader Aleian, Bell
·6	was a purchaser of any of those sheres?
1.7	At my request, my render purpose. Mr.
18	Milton Steinbach, went to the floor of the New York
29	Stock Exchange, both just before and just after
20	lunch, and discussed with the specialist the activity
21	in the stock. He was informed by the specialist
22	that there had been two major buyers of Armour,
23 .	one was Kleiner, Bell, the other was Arthur Lippor &
	Company.

MR. MC AMIS: I object on the grands

ACHEROLOGICA CARACTER CONTRACTOR CARACTER CONTRACTOR CONTRACTOR CONTRACTOR CONTRACTOR CONTRACTOR CARACTER CONTRACTOR CARACTER CONTRACTOR CARACTER CONTRACTOR CARACTER CONTRACTOR CARACTER CONTRACTOR CARACTER CARACTER CONTRACTOR CARACTER CONTRACTOR CARACTER CARACTER

and he said he had to convene the full commission

this evening them for another matter and would put

11 that question to the full commission this evening.

MR. MC AMIS: I object to that statement,

13 your honor.

14 Sett County: It convols to in the act at

15 other than it is going to be put to the Pull of the

is mission this evening, that's all.

17 MR. DUFF: Your Honor, I might say

18 one reason I was not able to take any telephone

19 calls from the myriad of lawyers it Sullivan &

20 Crosself was that I was here this sate moon.

21 Housewer, I did got a note addressel to me from Mo.

22 John Rabin of Suillivan & Cromwell, at 2:35, which

23 says "Mr. Rabin's secretary phoned and Mr. Tabin

24 wanted you to know he had not hear been Mr. P.S. 20 m

25 Cohem."

SOUTHERN THERETON COUNTRIES OF 1 -

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13

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2:

ly clear understanding with members of
the firm of Sullivan & Cromwell was that any con-
versations with Mr. Cohen would be on a conference
call basis and I feel this is very much a mis-
understanding on their part as to what my clear
understanding was with Mr. Rabin.

Westried to put a conference call in to him and he was not available conful I nestreet by court. I do not condene practices which do not seem to me to must the basic minimums of settlement offiners among lawyers.

THE COURT: Has everybody had his 13 say on this subject? If so, villy no plant 24 . conditue with the engainstion. .. 15 GIOSS- COMMITTANION BY MR. HG ANIA: 1.5

Q No Westbodin & Cospany the interestings. 17 banker for Armour? 13

A It has been for a number of years. 13 Q Is any perform of Touchest & strainer 20 B director of Asmount

A My senior perture, Millon Steinir di 22 is a director and member of the enecutive committee 23 of Armour & Company. 24

a Bow long ben ha be a n offen that and CONTRACTOR OF SECURE CONTRACTOR OF SECURE

2.	member	of	the	executive	commi	ttee?
----	--------	----	-----	-----------	-------	-------

- 3 A I believe it is probably since about.
- 4 1953 or 1954. I could not swear as to the exact
- 5 · year. It is a long period -- I am sorry, I am
- 6 probably wrong. It was probably 1956.
- 2 . Q Has Wertheim & Company received fees
- 8 from Armour as an investment banker during the past
- year?
- 10 A Werthelm & Company has setted as &
- ii managing underwriter during the dast year in corese-
- tion with the Armour-Dial standb . offering . 4
- is don't believe Wertheim has recal ad any other fors
- to . except normal directors from -- wait a second, I'm
- 1 sarry, one other tolog: Leithelt & Corpar E.A.
- ic agord on a Pinnecial position to wathre & Titary
- in connection with its tender of or. The ar at at the
- 18 with that tender offer, Worthein & Company ve i pale
- a fee of \$50,000.
- 20 THE COURT: What teader offer to Man?
- THE WEILESS: The telder of Well SE
- 22 July of 1958 for Armour stock at a price of \$ 50 %
- 23 share in cash. It is that tender offer which is
- in part reproduced in this prospectus.

THE COULTS: I don't we are come it A.

centains translations of a sales

Productional N. V. V. S. Stone St. St. A. S. St. Line . St.

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23

cash ---

:	Armour	1tself	made	a	tender	offer?
---	--------	--------	------	---	--------	--------

that was the point of the discussion earlier,
that the number of shares on which earnings are
reported -- if you use the average number of shares.

since Armour is on an October year, you get seven
million two, but since the end of the year they
bought back a million and a half collers to

THE COURT: You testified to that?

12 ... THE WITNESS: Yes. That tander cafee

is took place sometime in very late July. It was

if . finished sometime in the middle of August. In

is womestion with that, we received a fee of the late.

Now, as manager of the testarestates around that

17 . underwrote the pirerias to france abouthelders

16 of Armour-Dial shares, we received fees and our chare

of the underwriting compensation I believe would

to be about \$138,000, and our chars of the profit

on the unsubscribed standby I believe was about tower.

In addition, of course, we received compensation

as a manager from the other underwriters.

with that transmoblem?

THE CONTRACTOR OF CONTRACTOR OF THE CONTRACTOR OF A CONTRACTOR OF THE CONTRACTOR OF

1	Tanjo JA1295
2 .	A Yes. That is what I just testified.
3	Q How many shares of Armour & Company
4	stock are owned by the partnership of Wertheim
5	& Company at the present time?
6.	A It is in the proxy statement. I believe
7	it is about 40,000 or 42,000 shares, in addition to the
8	stock that Mr. Steinbach and his wife own. I don't
9	renember the enect figures.
10	Q You are referring to Armour's proxy
11	statement?
12	A Yes, the one just issued.
13 ·	. Q In connection with the forthcoming annual
14	meeting?
15	A Yes. It has not changed in recent your
16 -	except upon the coossion of the count of a family
17	zier.
18	Q Has Wortheim tendered any of its stock
13	to Breyhound?
20	A The partnership has terdered all asmoun
21	stock it oms to Greyhound.
22	Q Are you an accountant?
23	A No, I am not a formal accountant
24	Q Are you a CPA?
	A No.

	MR.	39C	AMIS:	No	further	questions,	ø

your Honor.

MR. DUFF: I have no questions, your

Monor.

(Witness excused.)

THE COURT: What else is there, gentle-

men?

23

MR. MAC CRATE: Your Honor, we have to

further presentation to make at this time. " 13

would like a chance to exemine him. Herbert All was 11

Jr., Mr. Burt Kleiner and persons knowledgeab 12

in the specific transactions in Armour stock to 13

which reference has been made. There has lest 14

much said here stout a chance to the stockithe 15

to checke between two offers will a impuledge 15

the alternatives. 17

We submit that the regits of this 13

exchange offer as against a cash tender offer 19

cannot be weighed if the market is being grei-20

ficially stimulated to keep it above the \$70 or o

tender offer. We sweath that there is obser 22

circumstantial eveldence of these facts, that was

have not been able to ask the questions of the

11 knowledgeable Andividuals involved since, you 25

2 .		w111	recall,	we	were	cut	off	at	the	Kleiner,
-----	--	------	---------	----	------	-----	-----	----	-----	----------

- 3: Bell deposition at the point of their saying that,
- 4 yes, they had been on both sides of the transac-
- 5 tion on the Pacific Coast Exchange and for the
- 6 buyer on the Midwest Exchange and they would not
- 7 give us the name of the purchaser at that time.

We have had no opportunity whatscover

9 to pursue that investigation further. This morning

10 we were given the name of the purchaser for the

11 first time. We have shown -- again circulations al

12 a link between Kleiner, Bell, Allen & Company and

13 this purchaser and we have not completed that link

14 . De this time but we feel we should have to oppose

15 bunity immediately to pursue questioning this th

15 would give us a full onewer to the was tehin! that

17 transaction.

Now, there is an addited purchase
of 2900 shares by two partners of Kleiner, Bell
after the filling of the registration statement.

That is an admitted purchase. Now, that it a

transaction of \$175,000 in value, or theresbouch,

but what we are talking about were these other

\* transactions one of approximate # 48 million and

25 the other of approximately a million and a hold.

COUNTRIES TOWN OF COURT COURSE THE STATE OF THE STATE OF

E wast Sound to the the the total to the West of the Committee to the

2 So that you are talking about trades of the
magnitude of \$9-1/2 million in total. These are
at middlent transactions that people should
E submit, your Honor,
that they are known about and if we are permitted
to pursue this interrogation we can get what lies
them and I would request leave at this
time to obtain the additional coposition tertinony
one of erwise we would rest on our prove
and the second s
WE MC AMIS: With Tarpast to Mr.
to the configuration, your Honor, I point out
that ever times Judge Bayes had the hearth for
the temporary restraining order before him a week
15 the temporary resulted on both 21 has here be in the
the process of teking depositions. We had that
the process of sexing deposit friday after-
18 days last week and at the end of Friday after-
norn Mr. MecGrave indicated that he had not by n
satisfied with the testiment of the Aller with
nesses produced and we offered over the vertant
to produce Mr. Herbert Allen on Menday, prior
to the return date of this motion, although Ed-
mittelly on short notice, out
from him circumstances of the sast. In so Far

rando mindicando del presente securidos e como contrata-States Deather Come & a till

" Four the same of the to the entire . The other than your other

as General Host is concerned, we produced Mr.
Ashton on two occasions. On the first occasion
he testified at great length as to every aspect
5 of this transaction so far as General Host is
6 . concerned, from its inception to the present
7 ' time, and Mr. Ashton is the president of General
8 Host. His testimony makes it clear that he
was involved in every decision and was doned we
10 about every decision made on behalf of Comora !
11 Nost.
12 So Mr. MacGrate how the full field "
13 from Mr. Ashton in this matter and if he wast
14 . permitted to examine further, shout all he equile
is " ale in the per the get the themen that the all the
16 . or imprach i sheen, but it in the a mestire of we
We having had necess to the chory.
18 As I understand it, his applicant on
hars tonight is limited to an application for
so . Turther copositions in convertion with his train. For
at a temporary restraining order or the lift.
22 problem rather them on the endings of or the eld.
As to that, it seems to me perfortly
the steer men his own submission ood ? I'm.

de la company de

RacCrawa and the attraction for the plainted:

1.

2.1

:22 .

\* 23

24 .

have no facts to go on to come in here and ask for extraordinary leave and if they bring an action or they have now served an amended complaint, it seems to me that they could take depositions in normal course and then when they find out the facts come back and ask for relief at that time.

the Court for relief on an extraordinary baris
before they have any facts on anch to been to a
motion and for that reason I lik that not colly
the motion for a temporary injunction against
continuation and consumeration of the exchange
offer be couled, but that the magnification
and cross not be present the sections.

to the temperary mestraining order and due application, the whole point is the interperable into which results from artificially self-solid; he makes at this time and to well us to well solid. 20 days empires and to go short in normal course as in this year just an incher wal sapare of the language of

enterenta enterenta de tre

2:

completely ignores the very urgency of the matter and the fact that great volumes of this stock are trading at this time and our information is, and I regret that we were unable to get heretonight the specialist from the floor, that Kleiner, Bell is trading heavily in this stock every day and these' are the days that count and to tell us "Wait until some indefinite time in the future to find out the facts after it is all done" will be to no avail. 10 THE COURT: Well, of course, the for 21 : fendants are asking for a determination, you are 12. asking for a determination, too, and you knew about 13 bhis motup early this norming, Mr. Mactrate, and 14 you have quite a number of people from your office 15 best the the washing at appears then to the 15 terdiamny during the day especially souds to 17 . had a break of quate a number of bours? 18 ER. MAG CRATE: Well, your Monor, Wa 19 have had not a brook of a number of house but we .20 were over from cover from noon modil 2:45 and we did 21 not have an oppositabley to start deposition pro-22 ceedings. I had no idea that it would be thought 23 apprepriate -- I son tengino that if I had compet 24 this while these proposition were going to by a rethre

2	here would say they wanted to be present a
3	the deposition and we would be interfering with this
4	whole proceeding. I don't conceive of that as as
5	alternative, that we could be conducting a dopo-
6 .	stion on the outside while this hearing was going
7	on.
8	THE COURT: But you did that once in
¢	this case, didn't you? Didn't you have wounded;
20	in California while you were exemining here? You
12	mentioned that the other might. What is the tour
12	. reason I know shows it. The represents the alegans
1.	Bell people? How long would it take to exchine
14.	them, to get them here?
25	MEL CAMBRIAGE Moder Royale, as the terms
15.	Soymone Colstold, Cook-A-A-A-A-A-A-A-A-A-
17	couldn't attend this evening one I want from
31	THE COUNT: Are your chien's aveil's
.19	for taking the deposition?
20	MR. COLDERNO: No. Edution is for
21	California.
22	THE COSHE: The Land Where Santing
23	you went to take is in California?
24	MR. MAN GRAVE: I was informed to.
25	KINGER WOULD be condicably at the out of the a te

# JA1303

2 Yo	ur Honor will recall when I was before you on
3 Mo	nday evening the situation was that Mr. Herbert
4 A	len had been tendered to me in Palm Beach that
5 ai	ternoon. On Sunday afternoon I was told if I
	ent to Palm Beach I could take Fr. Allen's testi-
	ony there and I had been told by Mr. Goldfeld that
8 M	r. Kleiner would be available after these hear-
9 . 1	ags.
10	MR. COLDFELD: May I tell you what I.
	ald, your Honor? On Sunday morning I toli
	in that Mr. Kleiner would be symblable Wetsell-
	lay, Thursday or Friday but would not be amilable
	fonday and you said to me you would have he.
15	Shapiro in place of Mr. Kloiner.
.6.	ME. MAC CREATE THEZE SAN MAC
.17	THE COURSE I was ander the live the A
48 *	this was a witness in New York. Who applicable to
	take has deposition in commetten with the bounding
10	notion is denied.
23	MR. MAG OR SE: If your Motor of the see
: 22	THE COURT: This thing has to the for a
23	Now, this is the second motion that were meet for a
3.1	demporary resumming order; are was denie: by
2.3	Sudice British City & Resided Sec.

Comparations exceeds the test of the contact of the

the new Commerce of the contract of the contra

120:

2	we	are	sittir	ng fr	cm	early	morr	ing	and	I	am	pre-
3	 Da	red	togive	you	a11	the	time	you	red	u1	re	POSTA151
											-9 41	- Alle

4. but this can't be dragged out indefinitely. There

5 . 1s one other factor, a circumstance the Court cannot

6 . ignore.

44

. e

17 .

16

. You have one outstanding offer and :

8 . you have a competing outstanding offer and I think

this is a circumstance that thought be somethere .

10 . in this aspect of the matter as far as postpoor

ing it further is concerned. I wold you restored

12. I would give you all the time you required to be.

13 . In fact, you asked to go over until this manufact.

" will dony the motion.

HR. MAC CRAIS: That is a comital part

tempust to Imphore Liber, Sr.: 3. will.

THE COURT: Yes.

MR. MC AMIS: Your Baror, ray X corr for the record the deposition of Mr. Cram, tha

to provident of Armour, token in our office last

to produce and an in the case of the other depositation

It has not been signed by the witness, so I works.

ask leave of Mr. Mandrage to waite the objection to

that-

the mo phote: He depositive

1.3

A TO A STORY OF THE POST OF THE STORY OF THE STORY

of green distance of the fire program is now in a firefree

1204

2	MR. MC AMIS: I offer it in evidence.
3	(Defendants' Exhibit I received in
4	evidence.)
5	MR. MC AMIS: I have nothing further,
6	your Honor.
7	THE COURT: You have left this stack of
8	depositions here and I don't know if counsel are
9	in a position to point out in view of the pressur
10	that the Court obviously has to work wrder, plut
11	the fact that I have a full mottle calendar for
12	tomorrow, significant parts of \$1350 different
13	depositions. If you want me to, I can go whrough
14	them, but I bisink you have four or five hundred
15	pages of depositions, desre from the testimons
16	token today. If you are not testa on the virt
.7	will take the papers. Shie you
38	submitted all your balefor All your papora are in,
19	Mr. MacCrato?
20	MR. MAG CRAIS: Your Robon, Mr de would
21	to helpful, we would undertake to submit promptly
- 22	en busiyals of the deposition to theory. Here would
	require into tomorrow to prepara and present to
3.4	YOU. THE COUNTY TEN SIE & So vey the S.
15	AME COMMA: F BH TWO WE ARE

CAUTHORN LATTE COURT OF DATE

#### JA1306

hope to start tonight because I don't have any real free time tomorrow.

As you know, there is a motion calendar again tomorrow.

MR. MC ANTS: Your Honor, so far as General Host is concerned, I will rely on the references to the depositions that are made in the opposing affiderit. There we cepttin paid references mentioned there.

THE COURT: I messl: All might, gentleman, then I take it every blue has been sile mitted.

good sista, all.

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and the reserve and produced the second land. The

JA13060/

DEFENDANTS' EXHIBIT NO. A-42(C):

OPINION OF HON. EDWARD WEINFELD IN ARMOUR v. GENERAL HOST C.

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W.E.

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JA1307

(, -A-40(c)

CARS DISTRICT COURS

THE BUT DISTRICT OF HER YORK

CHIE AND COMPANY and McCLURG · YEL

Plainties. cery # 35-5-47

-against-

REMAL BOST COMPCRATION, DICTARD PIGTELL, HARRIS J. ASITOS, C. ITCOM ALDEM, JR., JOSEPH F. INS, WILLIAM P. DOWNEY, WESTON E. MILTON, WILLIAM P. BOTT, JR., J. MON HOCAM, EDWIN C. MCDONALD, SLIB W. SCOTT, JCHM M. HUNGSLEY, .. JOHN P. CLIMB. ALLEM & COMMAN, . . . LUM & COMPANY. INCOMPORATED and BINER, DILL 6 CO., INCORPORATED,

69 Civil 279

CPIHICS

Defendants. 8

PEADARCES

SULLIVAN'S COCINTAL, DOCE. 48 Wall Street How York, Hew York

Attorneys for Plaintiffs

ADTEGR DEAM, DOG. rown macrons, ro. ECHERY H. C.COCD. L.Q. soul P. Carry, E. J. John Heldellin, 200. of Counnal

ELMAND WEINFELD, D. J.

This action involves another "target" in the securities market. Armour and Company (Armour), whose control is sought by the contenders. The action is brought by Armour and one of its stockholders on behalf of thempelves and other commen stockholders (other than defendants) to enjoin the exchange of securities offered by the defendant Comeral Rost Comparation (Seneral East), one of the two contenders for the . For of Armour stockholders; also named as defendants with General Rost are its principal officers and dealer-managers, who are charged with various violations (1)

the threat of the charges lavelled against the defendants is a conspicuor to gain control of Armour, said to be ten times linger than General Host, through means of manipulative, misloading and deceptive practices to be

<sup>(1) 0 27(0) 02 0 0</sup> Caccritian Act 01 1033, 13 U.S.C. 6 77q(a), 03 10(b) and 0.3(c) 02 the Communities Exchange Act 02 1034, 23 U.S.I. 03 03(b), 70m(c), as well as Bules 105-5 and 105-5 gramming ated Charmonies, 0.4 6 7(a) 02 the Involument Cuspany Act 01 1000, 15 U.S.C. 3 CCa-7(a).

offsetad by an emphange of Armour common stock for General Host securities, which plaintills contend are highly speculative.

On December 00, 1000, Comeral Host filled with the Cocurities and Exchange Commission its poglaturation statemont (Jorn 8-1) for the Constal Boot debentares and warrants it proposed to offer to the charelulders of the Armons common stock. Ast or the Siling of commonwests, the registootion became efficitive on Jonany 00, 1009. Under the prospectus General Hoot offered for each tendered chare of Armous cosses stock, 000 principal capust of 7% suberdinated Cobeniuses of General Host due 100% and 2-1/2 vorrants expiring in 1979 to purchase one chara of Cameral Rost common panels at \$40 per allars. Under a charge accounted January 31, the delentures at principal a curt may be used to pay the purchase price upon the examples of the warrants for the Cameral Dast atomit gegandless of the debontures market value at the time. Constal Host will not accept any tandered Aumour pacurities unless, upon ac . Plance of such securities, together with its presently could 10.0% chares, it would own mare them file of all the outstanding charge of Armour common otods. The offer of Coord Tost place on T Corency 14.

gation, but very a maintenance in it, is a sholly comed

beidiary of Creybound Comporation (Creybound), the other ultur for the favor of Armour abackholders. On January 23, 1069, Grayhound offered to purchase for cash 2-1/2 million charge of Armour, originally at \$33 a chare, increased to 970 a share following the General Host offer. The Crayhound cash offer empires on February 10, 1969. Armour's Chairman of the Board and his Comily have cold 500,000 chares of Armour to Croyhound, and he has notified all Armour chareholders to this effect and appeared the Oreginsund progenal. . That he and the Armour management, as well as its investment advisor, and eppesed to the Comercal East office and have replated the offerts of that group to acquire control of Ammour is obsting a foot. The house of their complaint, no matter how verticesly stated, is that the intrinsic investment value of the Coneral Rost decertities being offered is substantially loss than the value of the cocurities which the Armour obschholders are naked to emphance for their stock and that the prospectus fails to Clackes information to that offert.

temperary a stabilistic scalar and for a politicinary injunction which would probable the Columbiania for a tabley may action

restraining order was decied by Judge Dryon on January 27.

1959. Sollowing which plaintiffs were given leave to take
depositions with despect to the motion for a proliminary
injunction. The deposition testimony resulted in a second
application by plaintiffs for a temperary restraining order
based on elleged violations of Rule 195-6, which was heard
by this deart tegether with the motion for the gralininary
injunction. As is not unusual in matters of this hind, the
motions were heard and the technique of witnesses taken before the dourt under tody hamner pressure — with voluninous
affiliavity and hundreds of pages of a positions for the Court
to consider in reaching a descendantion.

The origin of the controversy goes back to

August, 2003, when Comeral East paradoxed 250,000 charse of

Armour counci, stock. Consequently it made substantial pur
chases of the stock, the finals for which were obtained

principally by the private placement of \$47,000,000 of

Comeral first by commercials substantial pur
duly satisfied the stock, the finals substantial pur-

ral Host filed with the Securities and Enchange Commisas to its interest in Armour, and La 3 Schedule 130 equired additional stock, filed amendments to the schedule rugh to Documber 2, 1988. On Dovember 23, 1988, Armour's nael urged the SEC to investigate to determine whether eral Host should be registered as an investment company. early December, 1988, as a marmit of private and open hat purchases, Canaral Host owned 1,002,500 chares of the standing Armous common stock, approximately 13.5%, and was its largest otockholder. Also early in Docember, nour's counsel conferred with SIC officials relative to neral Bost stock cognisitions, Collowed by a lotter to the mminaion's Coneral Communel in which the Samour communel ated their belief that the US convertible note issue by meral Eost and the purchase of the Armour stock with the receeds of the notes your the first step in a program to the over control of America. Comest for Armous also harged Conexal Dook, conditionly upon hacasay, with violations I the Decurities Declarage Rot of 2004 and urgod an investigaion and motion by the commission.

<sup>(</sup> a) is a single in the open to the deal

public release of its intended offer to acquire Armer stock, which was publicised in various newspapers. On December 27 General Hout cleared with the SEC and mailed to its stockholders a presy ofstement relative to a special mosting for the purpose of increasing the authorized capital stock of General Hout and for approval of the exchange offer of 7% subordinated debuntances and warrants for the exchange of the Armone common stock to be made to the Armone stock.

holders. And on December 30, 1968, as already noted, General Host filed with the SEC the proppertus included verbating the exchange offers. The proppertus included verbatin the material in the proper statement to General Host stockholders.

Armous's counsel, on Unassay 3, 1969, again conferred with DEC officials, following which they sent the Commission a detailed memorandes "in order that the Staff may consider carefully why we consider the proxy statement and the registration statement to be mislessing both to the stockholders of General Bost and to the officers Armour stackholders."

The memorandess contains specializations of allaged deficiencies, material misrepresentations and colorions which parallel the

(3)

charges now made, as well as others. In addition, it westment the opinion of counsel that General East is now an investment company and that the proposed insurance of the 7% subordinated debentures and warrants would be illegal — a charge also made here.

fore the CRC what they termed the "gross inadegracies in the registration statement" and brought their contentions to the notice of the Commission's Chairman, "so that the staff review of the registration statement will not be carried out under any cusmany or accelerated procedure, and so that members of the Commission Statement will not be carried out

<sup>(3)</sup> Included was a course that control of Atmour by General Dost, as now consellation, would be a flagrant violation of the principles of the Packers' consent decree of 1920. On January 20, 1969, the Department of Justice commonced a suit in the United States District Court for the Morthern District of Illibis to add General Ebst as a party to the demon, and applied for an injunction to restrain General Host from conserving its exchange offer and from acquiring miditions a charms of Armour owek. Alter a hearing on Jamesey 21, 1960, the motion for a temperary restraining order against General Host was dealed and the petition dismissod in all properts. The programme contains a reference to this simmation, as well as to other matters in the owner the Department of Dastiles organize organization is the Department wars to curroad in some other ection water the Land Land Control Control Control

doficiencies in the registration statement." The Chalaman respectied that the staff would undertake "to process the registration statement in a manner consistent with our responsibilities under the Act."

Armous in opposition to the registration included:

allayed misstatements or emissions as to the inadequacies
of the effect the subordinated and long term nature of the
debontures; the lack of protective occanants restricting
C.bt loans to others; investments in others and minimum
wording copital. Armous present the calibrational that
Constal would be able to you pulsedpal and interest as due,
bosed on (1) The projected each allow if Constal Host after
the cachange offer; (3) the met tragible callets of General
Dest after the exchange offer; (3) the met tragible callets of General
Dest after the exchange of the 1920 Deckers content General

<sup>(</sup>a) Letter of Canusay 6, 2009, addressed to Ros. Hanual F. Cohen, Challen.

<sup>(3)</sup> Zetter of Campacy 17, 1969.

<sup>(1)</sup> Harmandon altracted to habe a to TC, Caled Connary 23, 2050.

Erandmient conduct, or claimed violations of the Securities ects, some claims going hayand those here presented, were advanced to the Commission in opposition to the registration. The charges were also submitted to State Dire Cky official bodies by presented similar to those presented to the Commission.

Caneral Most, during the passessing of the registration, either upon request of the Commission or upon its commission, culmitted data, supplements, scandarnts and other matters as to questioned Massa and in support of the registration of the recentions.

Con January 23, Collecting o Charitation by Coneral Most etachholders for the combange program, plaintiffs commenced this action and parametry sent a copy of the complaint to the SEC. Their mediatance to the registration continued to the very day it became effective, January 23. Amounts

<sup>(7)</sup> The Chinols Courtery of State. Pased on the oll maticus of Property Associate Property Associate Property Associate Property. Associate Chouse y in past to he had been a

opposition was not limited to representations before official bodies. Through the month of January, 1969, while the registration was being processed, Armour publicly attacked the General Host proposal, and its views were widely disecminated. The news media, based on press releases issued by the Armour group, published the specific claims that it was very unlikely General Host would be able to pay principal and interset on the subordinated debentures; that the value of the warments was illusory, and that the tax consequences to Armour shockholders would be adverse. A full-page advertisement codressed to Armour checkholders by the Chairman of the Armor's board, published in the Wall Street Cournal, the New Cock Chase and other news asdia throughout the country. Conigonied the Comerci Most secerities and went into considerable detail as to the undecirability of the exchange. His statement Duised questions whether General Host would have the cash flow necessary to corvice its greatly incressed debt and touched when other claimed deficiencies.

Charges that Russes has "irrested against the Ceneral Host proposal before elitable Codies charges by 1.4 with policing

the alleged illegal activity. The chimica of Atmost, its congressat and ingretassit parkides, Desei upon their dicreregio analysis of the prespectus and Feels projection of Column events, that the Latriagle Cavescount value of the offered General Most securities in subsemptially loss than the value of the securities which the Armour stackholders are being asked to tender in ouchange, however sincerely hold their views may be, still remains a matter of opinion. The question is not: Is this a good or on improvident deal for the Armour stockholders, or could a batter or more Cavorable offer he obtained, one that has better protective terms and conditions for Amsour absoluballers? At Chis stage the issue is: Howe the plaintiffs sufficiently proved the alleged violations by the defandants of the securities laws and if so, has there been a pufficient Cheming of irreperable injury, or, as it has been otherwise studed, "harm which camto warrant the court to omercies its not be repaired." equity power to stay the exchange offer and any acts in Cartherence of lie consumnation?

<sup>(</sup>a) Bleconnic Complainty Co. V. Determinational Communication Comp.,

p.C.1 (ally options at 22.) (C1 dir. C d. C4. 2000).

<sup>(3)</sup> Ctudoloukar (027. v. Cibelia, 510 Dec. C32, C33 (23 Cir. 2005).

<sup>(20)</sup> Haght Co. v. Dowlas. 2.11 U.G. 221 (1044).

bearing Pricelly bear the price contentions of Percer as to
the alleged highly consulations and understable investment
of the Ceneral Heat committies as applicable as to the Percer attack.
There is a dispute bearest accommunity as to the basis upon
which the Ceneral Heat cash flow, if the exchange is realized,
which the Ceneral Heat cash flow, if the exchange is realized,
which the Ceneral Heat cash flow, if the exchange is realized,
which the Ceneral Heat cash flow, if the exchange is realized,
wheat the Ceneral Heat called an investment banker, who condescent the General Heat securities, has his judgment is to
be evaluated in light of the fact that his firm has been the
investment banker for Armour for years, as well as its investment
advisor, a director of Armour, and a member of its Executive
Consistes.

Armous, there is not only defendants' demial of any misrepresentation, misstatements, omission or conspiratorial
conduct. There is also the fact that the EEC permitted the
registration statement to become effective. Indeed, it would
be remarkable that, after homeur had pinpointed his various
chalms of violations of the securities laws, the Commission,
if there were substance to any chain that remained uncorrected.

allowed the registration praturent to become effective and
the securities to be effected to the gublic. To be care, the
registration of the securities carries with it mobiles the
commonst nor disapproval of the Commission. Ust, when
the very charges plaintiff advanced before the Commission
are removed on this motion and denied by the defendants, the
SEC's clearance of the registration statement may be accorded
(13)
come weight. Upon the entire record there has not been
a cufficient showing at this time that the defendants have
violated, as alleged, the securities laws.

normar, the continued of the situation apeak against an injunction. Indeed, they require that the stock-holders not be deprived of an appearably to accept either the cash offer of Greybourd or the emphange offer of Greybourd or the emphange offer of Greybourd to the cashester are entitled to

<sup>(11) 17</sup> C.2.2. ) 2.J.~25.

cherrise their can judgment as to floor sathers. The close cherry content on judgment as to floor sathers. The click of content of the manufacture and occurring underlands for floorer constitutions has not of some cases shouly gradicated. The floorer cases of the plaintifies claims of the alloged operatative masure of the securities being offered and the alloged shortcomings of the General Host proposal. The decision whether to buy, exchange, or do neither should rest with each individual (13) stockholder. Further, assuming argument that there are violations of the securities laws, which is far from clear on this record, however stockholders who accept the Comeral Host offer may be compassed by comey stockholders through this very suit.

An added consideration is the competing cash tender offer of Grayhound. Armous management here costs to limit its chareholdary to the Crayhound offer, which its chief exerctive officer has accepted for his 550,000 shares. To grant the stay of the Grayhound cash offer manales available, at the case time the Crayhound cash offer manales available,

<sup>(13)</sup> Continue Companie Con Con Continue Con Con Continue Con Continue Con Continue Con Continue Contin

has an element of unfairment to those Armour steckholders who
may wish to call. Performs it howes them little alternative -may wish to call. Performs it howes them little alternative -mo grant the skey means they must element call to Canyhound or
olde run the rick that no other threat offer they deem dasimble, whether cash or securities, may be made for their
stock for some time, if at all. As to those Armour stockholders who already have tendered their shares to Ceneral
Host, they should not be foreclosed of their right to accept
that proposal which evidently they deemed more desirable than
the compating Greyhound offer. Finishiffs have attempted to
show neither that such stockholders were not awars of the
alleged omissions and deceptive confect and the charges
levelled against the Canaval Host purposal, nor, if they
were unswers, that they would not have offered their charges
to General Host had they known of onth charges.

either to the plainfild corporation or to its o'modholders that outseighs the irregarable injury which would be visited

<sup>(10)</sup> Discrenia Specialty Co. V. Deformational Controls Corp.,

J. 23 (Slip opinion at 1920) (2d cir. Jan. 24,

1. 1); Symington Dayme Gorp. W. Drazest Industries, Enc.,
201 F.24 C40, 203 (2d cir. 200).

incurred by General Host, the granting of a proliminary injunction would give Armour, tolehout a brief, the full relief
it would be entitled to only he it recessed never a brief
upon the merits. From a practical point of view, even were
General Host to prevail upon the trial, the grant of the
injunction would defeat its outhange offer.

of discretion, the motion for a proliminary injunction is

(16)

<sup>(13)</sup> Names v. Chited Rooms & Compas Corp., 100 7. Europ. 403, 424 (3.D.H.Y. 2051); Hack v. Chebkar, 173 7. Corp. 233, 223 (D.D.H.Y. 2052).

<sup>(13)</sup> For can the application for proliminary rolled find orgport in the charged violation of the Investment dampeny hat. Armour lacks standing to raise such to 10000, fire v. Ameral Time Corp., \_\_\_ P.24 \_\_\_ (24 Cir. Day. 19, 1968), Decast Do. 33792, and the came reasoning would come to apply to plaintide Holley insocar as he sues on his own behalf. Apart from the questile whether plaintides fairly represent the class of all armoss phosimoldars (order than defendance), which mecessarily includes these who may look favorably troom the Comerni Heat order, Tere commin the issues thather Coneral Host has in fort brought Assold within the Fire and whether such plainthally the may constantly be decommined to have standing do not then have their adoptite consedy at him, whether by you mustan or disages. However, with the charge that there use a violation of 3 7(a) Classenly of escended comes than the to the the last and limity of especial content of the last the company that the 1 12 bould to Aucht the court way.

This mation wast nice or dan ... Thistills wasthread thread distandant Missinar, wall shakerel Dala 105-3 when it actual as hocker in two lings-bloc turnsform of Number obock offer the regularistics become colorates. stage of the litigation plaintiffs claim for this rolled is at best supported, as plaintilfs' counsel condidly concoded, by "circumstantial ovidence." That the bloce traded hands at a putce shows both market and the competing cash tender offer of Greyhound may tend to compost plaintiffs' position. Dut the inference that is unged be drawn from the more fact of the transactions does not overtees the swurm tostimony of an executive officer of Elekher, Ball housed upon company movement that the buy coder was to walked and by the film, which, 42 co, exempts the tunnsachlone from the requirements of Bals lab-6.

Plaintiffs have not evenouse, by clear and convincing facts, the existing cridence that brings the

<sup>(17)</sup> I dintiffs also dings hat a dimesor of the parent of the loger in home transportions is a cofficer of one of the Convolence home.

Organizations within the one olion. Corrector, substantial logal labours emist wheeper (la 2.5-3 is emplicable at (11 .55)

Dated: Sew York, H. Y. February 7, 1369

United States District Junge

<sup>(13)</sup> the productive of the contract of the foregone company with a traction (b) of the

JA13254/

#### DEFENDANTS' EXHIBIT NO. A-43:

ARTICLE, WALL STREET JOURNAL, DATED JANUARY 24, 1969

Armot To Blo By Ce

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After Se Charg Allen

By a Wa CHICAGO in Federal of to block Go tender offer

Earlier t its opposition turned down ment and A violating an acquiring co

ducer and to of Chicago,

Armour among Gene bankers, in Bell & Co., i ities laws a 1940.

General man said ti any papers

Under to Host would \$60 of its 79 31, 1994, an Host comm would expiraction, Arm of paper."

Armour change offer chandising

In a state saying "that the defendaty and incupon which offer, coupl fort costing stockholder the surrend ty and votal

ur Says Suit Filed ock Tender Offer eneral Host Corp.

ethack This Week, Packer ges a Conspiracy Involving a & Co., Kleiner, Bell & Co.

ALL STREET JOURNAL Staff Reporter
'D-Armour & Co. said it filed suit
district court in New York, seeking
seneral Host Corp. from making a
r for Armour shares.

this week, Armour lost a round in ion when a Chicago Federal judge marguments by the Justice Depart-Armour that General Host would be a antitrust consent decree of 1920 by control of Armour.

Host is a New York-based food protourism facilities operator, Armour, , is a diversified meat packer.

said its suit charges a conspiracy neral Host, its directors, officers and ncluding Allen & Co. and Kleiner, that is in violation of Federal Securand the Investment Company Act of

Host declined comment. A spokesthe concern hasn't been served with s yet.

terms of the tender offer, General d exchange, for each Armour share, % subordinated debentures, due Jan. nd 1.5 warrants to purchase General mon at \$45 a share. The warrants dre Jan. 31, 1919. Prior to the legal mour called the offer a "pyramiding

r said it's complaining that the exfer "is being pushed by a vast merg effort by well-paid solicitors."

stement, Armour described its suit as lat due to the craft and complexity of lant's scheme and the deceit, obscuricompleteness of the data provided he to judge the merits of the exchange pled with the vast merchandising efigup to more than \$7.5 million, the lars of Armour are threatened with ider of their valuable Armour properting rights in the affairs of Armour in

exchange for grossly inequitable considera-

Armour said the complaint alleges that "it's unlikely that General Host will be able to pay the principal amount and interest on the nonconvertible subordinated \$60 principal amount of the debentures it proposes to offer Armour stockholders, and that the value of the 1.5 warrants it proposes to offer is completely illusory."

Further, Armour said, the complaint contends the tax consequences to Armour shareholders of the exchange offer would be "adverse."

According to Armour, the complaint says the General Host nonconvertible subordinated debentures "are unsecured obligations of General Host, as a means for borrowing up to 5346 million from the stockholders of Armour—which General Host couldn't obtain from anyone else in order to buy control of Armour. If the Armour stockholders choose to exercise all the warrants planned to be issued by General Host, they would have to pay General Host up to \$389.5 million."

As of Dec. 31, General Host owned 1,002,500 shares, or 16.5%, of Armour's outstanding common. Earlier this week. General Host said its tender offer could become effective with the Securities and Exchange Commission next

A-43

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DEFENDANTS' EXHIBIT NO. A-44:

ADVERTSIEMENT RE GREYHOUND OFFER, DATED JANUARY 24, 1969

To Co:

Greyl pany (" This off any exte

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tender on the

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I.

Offer to Prorchase 2,500,000 Shores of ALMOUR AND COMPANY

Common Stock

Greyhound Food Management, Inc.

a wholly oward subsidiary of

THE CHEKROUND CORPORATION

at \$55.00 per share net

Scheduled to expire Thursday, February 6, 1969, unless extended

amon Stockholders of Armone and Company:

ound Food Management, Inc. ("Greyhound") hereby offers to purchase shares of Common Stock of Armour and Com-Armour") at \$65.00 per share not of brokerage commissions and transfer taxes, in cash, on the terms set forth beacin. er will expire at 5:00 P.M. Chicago time on Thursday, February 6, 1969 unless extended. There will be public notice of

dosing price of Armour Common Stock on the New York Stock Exchange on January 24, 1969, the last trading day

he announcement of this offer, was \$59.00. hound will purchase on February 6, 1969 all shares tendered before 5:00 P.M. Chicago time on that date, up to 2,500,000 If more than that number are tendered, Greyhound may elect to purchase any or all of the excess. If it elects to take less shares tendered, Greyhound will purchase tendered shares on a pro-rata basis, will give prompt notice of the pro-rata to be purchased, and will return the unpurchased balance as soon as practicable.

ent for all shares purchased will be made as soon as practicable after the purchases are made. Tenders may be withdrawn

5:60 P.M. Chicago time on February 4, 1969. Thereafter they will be irrevocable.

our stockholders who wish to tender their shares must fill out and execute the Letter of Transmittal referred to below, must either be accompanied by the stock certificates or contain the guarantee (in the space provided in the Letter of nittal) of a commercial bank, trust company, or member of a national securities exchange that the certificates will be dewithin five business days after notice of purchase has been given by Greyhound. The Letter of Transmittal so executed y accompanying stock certificates) must then be transmitted to the Tender Agent or one of the Forwarding Agents named The tender will be deemed to have been made when the Tender Agent or a Forwarding Agent receives either the Letter ismittal or a letter from a commercial bank, trust company, or member of a national securities exchange stating that the Let-Francmittal has been deposited with it and will be forwarded promptly. The letter must set forth the name of the tendering older, the number of shares tendered and the serial number of the certificates evidencing the shares.

non Brothers is acting as Dealer Manager in connection with this offer, and Greyhound will pay them the reasonable and ary fees for such services. In addition, roombers of the NASD and members of national securities exchanges who solicits will be allowed a commission (payable by Greyhound) of \$.70 per share purchased hereunder if their names appear

Letter of Transmittal.

The Tender Agent is:

CONTINENTAL ILLENOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO

Corporate Securities Division 231 South La Salle Street, Chicago, Illinois 60690

The Forwarding Agents are:

T NATIONAL CITY BANK

111 Wall Street, New Year, Tley York 16015

BANK OF AMERICA N.T. & S.A.

Confunde / garay Stock Tres for Dept. P.O. Box 3:08, Rincon Alinex 1 South Van Pless Avenue, Son Francisco, Colifornia 2 (12)

Copies of the prescribed Letter of Transmittal rety be obtained from Lehman Brothers, or from the Tender Agent, the For warding Agents of Greyhousel.

Additional information as to Greybound is set forth below. Greybound reserves the right to waive any terms or conditions of

Folders of Armour Conceins Stock desiring to tender their shares pursuent to this Offer should contact their broker or deal at the Tender I gent or citizen of the Forwarding Agents named above, or Lehman Brothers to receive the Letters of Transmitted or for information or assistance.

#### AUDITIONAL INFORMATION

JA13270

resplanted is a Delay are corporation having its principal office at 2301 yest Lafayette Boulevard, Detroit, Michigan 48216. Its principal husiess is the futuishing of centralized membernet and accounting services of certain subsidiaries of The Greyhound Corporation which provide dustrial and institutional feed service or engage in the operation of staurants both within the bus terminals used by Greyhound Lines, Inc.

estaurants both within the both and clewhere.

The Greybound Corporation is a Delaware corporation having its rincipal office at 10 South Riverald: Haza, Chicago, Illinois 60:00. Its rincipal business is that of a holding company, having no business perations other than the holding of stock and other scentities of subdiaries and engaging in such hosneing and management as is inci-

ental thereto. An offer to Purchase and Letter of Transmittal has been mailed to trimour's stockholders. If the offer is accepted to the full extent of \$500,000 rhares the ener to Creybound will be \$164.5 million plus approach of approximately (2.5 million, An affiliate of Greybound has transfed to borrow \$75 million under an existing credit agreement with group of backs. The agreement calls for repayment over a four year critical if not received on any March 31 anniversary date and the interest are ranges from the prime rate in effect from time to time to such a time rate plus ½ of 1%. The balance of the funds will be obtained by The Greybound Corporation under established lines of credit with commercial backs at the prime rate and/or through the sale of short

ommercial heptic at the prime rate and/or through the sale of short from negatiable notes.

Greybound is purchasing the Armour shares as an investment. Creyound has no plans, in the event that it should acquire control of armour, to liquidate Armour, sell its assets, merge it with any other company or make any major change in its business and corporate struc-

ompany or make any major change in its business and corporate strucure. Neither Greyhound nor The Greyhound Corporation, nor any of the latter's subsidiaties or their respective affiliates, owns or has any ight to acquire any shares of Common Stock of Armour. To the best I Greyhound's knowledge, none of its officers and directors, none of the

ight to acquire any shares of Common Stock of Armour. To the best I Creyhound's knowledge, none of its officers and directors, none of the flicers and directors of The Greyhound Corporation and none of their espective affiliates own any shares of Armour or have effected any rensactions in Armour Common Stock during the past 60 éays. Directors of Greyhound, their principal occupations and business addresses are: Frederick W. Ackerman, Honorary Chairman of the loard of the Greyhound Corporation, 371 Market Street, San Francisco, california; Gerald H. Trautman, President and Chief Executive Officer of The Greyhound Corporation; Jess Nicks, Vice President of The Greyhound Corporation, both of whose business addresses are 10 South Liverside Plaza, Chicago, Illinois; Henry A. Montague, President of Greyhound; Edward R. Marek, Vice President of Greyhound; Max W. Iarman, Vice President of Greyhound; James E. Rother, President of Prophet Foods Co.; all of whose business addresses are 2301 West afayette Boulevard, Detroit, Michigan; Chailes S. Munson, Chairman of Executive Committee of Air Reduction Company, Inc., 150 East 12nd Street, New York, New York; and Peter J. Monaghan, Attorney at Law, 1732 Buhl Building, Detroit, Michigan.

Officers of Greyhound in addition to those referred to above are Ermo Bartoletti, Roger B. Burr, John H. DeSaye, Eugene A. Kray, and George

Officers of Greyhound in addition to those referred to above are Ermo Bartoletti, Roger B. Burr, John H. DeSaye, Eugene A. Kray, and George W. Thorsen, Vice Presidents, all of whom are employed full time at 301 West Lafayette Boulevard, Detroit, Michigan, and George T. Christie, Secretary, and F. Edward Lake, Treasurer, Mr. Christie's and

Mr. Lake's principal occupations are as Secretary and Teasurer, respectively, of The Geylmund Corporation, et 10 South Riverside Flaza, Chicago, Illinois.

Directors of The Greyhound Corporation, their principal occupations and business addresses are: Frederick W. Ackerman, Honorary Chairman of the Board of The Greyhound Corporation, 371 Market Street, San Francisco, California; Gerald H. Trautman, President and Chief Executive Officer of The Greyhound Corporation, 10 South Riverside Plaza, Chicago, Illinois 60606; Paymond F. Shaffer, Executive Vice President of The Greyhound Corporation, 10 South Riverside Plaza, Chicago, Illinois 60606; William R. Adams, President and Chief Executive Officer of St. Regis Paper Company, 150 Bast 42nd Street, New York, New York 10017; Howard Boyd, Chairman and Chief Executive Officer of El Paso Natural Gas Company, 2727 Allen Parkway, Pouston, Texas 77019; Frederick L. Ehrman, Investment Banker (Partner), Lehuan Brothers, One William Street, Flew York, New York 10004; Paul E. Hoover, Honorary Chairman of the Board, Crocker-Citizens National Bank, 1 Montgomery Street, San Francisco, California 24120; Henry A. Montague, President of Greyhound, 2301 W. Lafayette Boulevard, Detroit, Michigan 48216; Charles S. Munson, Chairman — Executive Committee, Air Reduction Company, Incorporated, 150 East 42nd Street, New York, New York 10017; Rankin M. Smith, Insurance Executive, Life Insurance Company of Georgia, 2718 Life of Georgia Tower, 600 West Peachtree Street, N.W., Albata, Georgia 2003; Hans Stauffer, Director, Chairman of Finence Committee and Membre of Executive Committee, Stauffer Chemical Company, 299 Park Avenue, New York, New York 10017; Harold C. Stuart, Attoriery, P. O. Box 1349, Tulsa, Oklahoma 74101; James W. Waffer, Vice President, Brady Security & Realty Corporation, 4 West 33th Street, New York, New York, New York 10019; Lestie B. Worthington, retired, 525 William Penn Place Pittsburgh, Pennsylvania 15230.

Pitisburgh, Pennsylvania 15230.

The officers of The Greyhound Corporation in addition to those effected to above are: Ralph C. Batastini, Vice President — Finance; Cato, Vice President — Public Relations; Herbert J. DeGraff, Vice President — Marketing; C. J. Fleps, Vice President; Robert E. Gocke, Vice President — Indistrial Relations and Personnel; Robert O. Lowe, Vice President — Comptroller; Jess Nicks, Vice President — Food Operations; Stephen F. Snyder, Vice President — Corporate Development; Vernon K. Stephens, Vice President — Sales and Planning; Charles M. Thomas, Vice President — Advertising; George T. Christie, Secretary; F. Edward Lake, Treasurer, all of whom are employed full time at The Greyhound Corporation's principal executive offices located at 10 South Riverside Plaza, Chicago, Illinois 60506.

This offer is not being made to, nor will Greybound accept tenders from, holders of Armour Common Stock in any state in which this offer or the acceptance thereof would not be in compliance with the laws of such state. In those states whose laws require this offer to be made by a registered broker-dealer, this offer is made on behalf, of Greybound by one or more registered broker-dealers who are lice used under the laws of such state, including Lehman Brothers, who is licking as Dealer Manager for Greybound in connection with this offer in those states in which Lehman Brothers is so licensed.

All questions as to the validity, form, eligibility (including that time of receipt) and acceptance of any tender of shares will be determined by the Tender Agent, whose determination will be final and bunding

### LEHMAN BROTHERS

Established 1350

NEW YORK . CHICACO . DENVER . HOUSTON . LOS ANCELES . PARIS . SAN FRANCICCO

aniumy 25, 1569.

JA1327\$

DEFENDANTS' EXHIBIT NO. A-45:

ARTICLE IN WALL STREET JOURNAL, DATED JANUARY 28, 1969

THE WALL STREET JOURNAL, "Investment" Purchase

## eyhound Seeks mour Stock Tender Offer

mour Backs New Proposal

sed support for the Greyhound offer. villiam Wood Prince, Armour chairman 1940, chief executive officer, said the 499.072 A

nd offer won't change its plans to pursue its tender offer for Armour.

Greyhound, a diversified operator of bus sportation, food and finance services, said fill accept any and all formour shares up to million with the right to take any more s made through res tendered. The of ..

ubsidiary.

Armour, a food, chemicals and industrial-proits company, had 6,112,220 common shares standing Jan. 1. If Greyhound were to acre 2.5 million shares, it would have about & of the stock. Gerald H. Trautman, Greyand president and thief executive officer, d, however, that Greyhound is purchasing Armour shares "as an investment." On the w York Stock Exchange yesterday, Armour sed at \$62,375, up \$3,575; Greyhound closed \$24.75, up 50 cents; General Host closed at 0.625, up 1212 cents.

If Greybound acquires 2.5 million shares, the transaction would be valued at \$162.5 mil-

Mr. Trautman said that the offer had been discussed with Armour management and that the Lid is being made with it; consent and approval. He said the offer is contingent on the continued support of Armour management and on the agreement of the Prince interests to tender their shares.

Greyheund said the offer expires Feb. 6 un-

less extended.

Atmotic has been carrying on a legal battle neral Host Still Plans to in an attempt to block the tender offer by General Host, a food producer and tourism-facili-Pursue Its Own Bid for ties operator. Under terms of that offer, General Host would exchange, for each Armour Food, Chemicals Concert share, \$60 of its 70 subordinated debentures, Mr. Prince that evidently changed his position due Jan. 21, 1991, and 1.5 warrants to purchase General Host common at \$45 a share. The warrants would expire Jan. 31, 1979. Armour, in urging shareholder rejection of the offer, has ca. d it a "pyramiding of paper."

HICAGO - Greyhoun. So p. made a cash trict court in New York to block the General taurants and food-service facilities, including of \$65 a share for Armour & Co. or offer of \$65 a share for Armour & Co. Host offer. Armour that the control of t

A General Host spokesman said that Judge es of Armour common held by various Frederick van Pelt Bryan of New York's Fedace family interests will be tendered to eral district court yesterday dismissed the Aryhound. The Prince stock accounts for mour plea for a temporary restraining order ut 8% of the common outstanding and has a against the proposed General Host tender of

the Securities and Exchange Commission clears it.

The spokesman said further that Ju-Eryan granted a hearing for next Tuesday determine if a preliminary injunction should issued against General Host.

Earlier last week, a Federal judge in Co. go rejected arguments by the Jactice Depment and Atmour that General Host would violating a 1920 packers' con ent decree for ing meat packers from dealing in 110 food nonfood items, including cereals, baking pronets, tea, coffee and other foods. The court's the Government's request for a temporary straining order to bar the General Host of was "premature."

Commenting on the Greyhound offer, R. ard C. Pistell, General Host charman, as to the scope of the 1920 parkers' consent a eree." Mr. Prince, in newspaper advertis ments earlier this month, said, "Even Gene Host's tourism facilities are dependent up restaurant operations which would violate t

Greyhound announced earlier this mon titles laws and the Investment Company Act of cerns, Horne's Enterprises Inc., to Stand 1940.

A General Host spokesman said that Judge Horne's owns and operates 72 restnarrants a has franchised 19 motor lodges

General Host's Holdings

General Host, as of Dec. 31, owned 1.002. rent market value of more than \$30 million. For the spokesman raid the company now is shares, or 16.5%, of Armour's outstanding on New York, General Host said the Creyborn for the spokesman raid the company now is mon. It acquired 750,000 Armour shares from the offer won't change its plans to pursue its er, General Host bought 252,500 additional A mour shares in the open market at an average price of \$58.74. Gulf & Western, a conglonic ate, sold its Armour holdings shortly after the Justice Department announced it was examing a proposed Gulf & Western-Armour mer, for possible antitrust violations.

In a proxy statement issued in connectic with its tender offer, General Host said "may become necessary or desirable for Go eral to modify, dispose of, or agree to dispoof, a substantial par; of its assets and busine es" including "some or substantially all of food production and processing operation Armour later called the entire proxy stateme

"meaningless balderdash."

Greyhound has been diversifying in reco years into the food, computer, fine neight : ser see fields. For the nine months called Sc 30, the . . pany reported profit of \$53.1 i. lion, or \$1.0) a share, on revenue of 165.7 t. lion. Mr. Trautman said in December this-year carnings probably wooldn't notice \$45.5 million, or \$1.41 a share corned in P

JA1328

## DEFENDANTS' EXHIBIT NO. A-46:

AMENDMENT NO. 2 TO S-1 REGISTRATION STATEMENT FILED JANUARY 29, 1969

Registration No. 2-31224

he had not be deposities and Exchange Commission on January 29, 1969.

## SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D. C. 20549

AMENDMENT No. 2

to

#### FORM S-1

REGISTRATION STATEMENT

Under

THE SECURITIES ACT OF 1933

## General Host Corporation

(Exact name of registrant as specified in charter)

245 Park Avenue New York, New York 10017 (Address of principal offices)

WILLIAM F. DOWNEY, Esq.
Lovejoy, Wasson, Lundgren & Ashton
250 Park Avenue
New York, New York 10017
(Name and address of agent for service)

Copies to:

GEORGE M. DUFF, JR., Esq. Holtzmann, Wise & Shepard 30 Broad Street New York, New York 10004 LEWIS D. LOWENFELS, Esq. Goldfeld, Charak, Tolinz & Lowenfels 711 Fifth Avenue New York, New York 18822

Approximate date of commencement of proposed sale to the public:
As soon as practicable after the effective date of the Registration Statement.

#### CALCULATION OF REGISTRATION FEE

Title of each class of securities being registered	Amount being	Proposed maximum offering price per unit	Proposed maximum aggregate offering price	Amount of registration fee	
Warranta Expiring January 31, 1979 to Purchase Common Stock at \$40 per share	14,460,000 Wrts.	\$58.50(1)	\$338,364,000(1)		
7% Subordinated Debentures due February 1, 1994	\$347,040,000	)			
Common Stock (\$1.00 par value per share)	(2)	\$40(3)	\$578,400,000(3)	\$115,680	
	The second secon	Total		\$183,353	

(1) Based upon the low selling price of Common Stock of Armour and Company on the New York Stock Exchange on December 19, 1968 in accordance with Rule 457(e).

(2) Such indeterminate number of shares of Common Stock as may be issuable upon exercise of the Warrants registered hereunder.

(3) Exercise price of Warrants, in accordance with Rule 457(h).

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## Cross Reference Sheet Furnished Pursuant to Rule 404(c)

	Registration Item	Caption in Prospectus
	Distribution Spread	•
		Cover Page; The Exchange Offer
	Use of Proceeds to Registrant	The Exchange Offer
	Sales Otherwise than for Cash	The Exchange Offer
	Capital Structure	Capitalization
	Summary of Earnings	General Host Corporation Consolidated Statement of Income
	Organization of Registrant	General Host Corporation
	Parents of Registrant	Principal Shareholders
	Description of Business	History and Business of General Host
	Description of Property	History and Business of General Host
	Organization Within Five Years	•
		Pending Litigation; The Exchange Offer
١.	Capital Stock Being Registered	The Exchange Offer; Description of Common Stock
ŧ.	Long-Term Debt Being Registered	The Exchange Offer; Description of Debentures
5.	Other Securities Being Registered	The Exchange Offer; Description of Warrants
6.	Directors and Executive Officers	Management
7.		Management
8.		Management
9,		Principal Swreholders
0.	Tenesctions	Recent History; Management
1.		
		General Host Corporation and Armour and Company Pro Forma Combined Balance Sheets
		General Host Corporation Consoli- dated Statement of Income
		General Host Corporation Consoli- dated Financizi Statements
		Armour and Company— Consolidated Statement of Earnings
		Consolidated Statement of Financial Position
		Consolidated Statements of Capital in Excess of Par Value and Earnings Employed in the Business
		Notes to Financial Statement
		Armour Financial Statements for 1968
	MATERIA TRANSPORTATION AND ADMINISTRATION AND ADMIN	

<sup>\*</sup> Not applicable.

PROSPECTUS

General Host Corporation

\$347,040,000 7% Subordinated Debentures due February 1, 1994 14,460,000 Warrants Expiring January 31, 1979, to Purchase General Host Common Stock at \$40 per share

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS.

ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

General Host Corporation ("General Host", "General" or the "Company") hereby offers upon the terms set forth herein under "The Exchange Offer", to exchange General Host 7% Subordinated Debentures due February 1, 1994 ("Debentures"), and General Host Warrants expiring January 31, 1979 to purchase General Host Common Stock at \$40 per share ("Warrants") for any or all of the outstanding Common Stock of Armour and Company ("Armour") and any or all of the outstanding  $4\frac{1}{2}$ % Convertible Subordinated Debentures of Armour ("Armour Debentures") tendered in accordance with this Exchange Offer, in the ratio of

\$60 principal amount of Debentures

and

21/2 Warrants

(each warrant to purchase one share of General Common Stock)

for

each share of Armour Common Stock

(or for the principal amount of Armour Debentures (presently \$51.14) required upon conversion to obtain one share of Armour Common Stock)

General Host will not accept any tendered Armour securities unless upon acceptance of all tendered securities it would own more than 50% of the then outstanding Armour Common Stock, assuming conversion of all tendered Armour Debentures. General Hose presently owns approximately 16.5% of the outstanding shares of Armour Common Stock.

If General Host accepts any Armour share or Armour Debenture tendered, it will accept all Armour shares and Debentures tendered. With respect to all shares and debentures tendered prior to the date at which the 50% figure is reached, General Host Debentures and Warrants will be delivered on the date such 50% figure is reached or as soon thereafter as is practicable. General Host Debentures and Warrants will be delivered daily, as soon as practicable, as shares and debentures are tendered thereafter.

The Exchange Offer expires 8:00 o'clock P.M., New York time, on February 14, 1969, unless extended by General Host. All tenders of Armour securities are irrevocable until the earlier of the Expiration Date or March 31, 1969.

Securityholders of Armour who wish to accept this Exchange Offer should send the certificates for the Armour Common Stock or Armour Debentures they wish to exchange, together with the appropriate Letter of Tender and Proxy accompanying this Prospectus, to one of the Exchange Agents or Forwarding Agents.

Allen & Company Incorporated and Kleiner, Bell & Co., Incorporated, as Dealer Managers, have agreed to solicit tenders of Armour Common Stock pursuant to this Exchange Offer. See "Solicitation of Tenders" under "The Exchange Offer". General Host has agreed to pay the Dealer Managers 40¢ for each tendered and accepted share of Armour Common Stock and for each share into which a tendered and accepted Armour Debenture could be converted. In addition, Dealers (who may include the Dealer Managers) who are named by tendering Armour securityholders will be paid \$1.00 for each tendered and accepted share of Armour Common Stock and each share into which a tendered and accepted Armour Debenture could be converted. It is estimated that other expenses of General Host in connection with the Exchange Offer may approximate \$900,000. If all holders of Armour Common Stock and Armour Debentures accept the Exchange Offer, total fees and expenses payable by General Host would approximate \$9,000,000.

On January 28, 1969 the last reported sale price for General Host Common Stock on the New York Stock Exchange was \$39.65 per share, and the last reported sale price for Armour Common Stock on the New York Stock Exchange was \$65.00 per share.

ALLEN & COMPANY

KLEINER, BELL & CO.,

INCORPORATED

INCORPORATED

The date of this Prospectus is January 30, 1969.

but be a

No person has been authorized to give any information or to make any representation not contained in this Prospectus, in connection with offers made by this Prospectus; and any information or representation not contained herein must not be relied upon as having been authorized by General Host or any Dealer. This Prospectus does not constitute an offer of the securities to which it relates in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. Neither the delivery of this Prospectus nor any exchange made hereunder shall under any circumstances create an implication that there has been no change in the affairs of General Host or Armour since the date hereof.

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IN CONNECTION WITH THIS OFFERING, THE DEALER-MANAGERS OR GEN-ERAL MAY EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE DEBENTURES, WARRANTS AND COMMON SHARES OF GENERAL AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED, IN THE CASE OF GENERAL'S COMMON SHARES, ON THE NEW YORK AND PACIFIC COAST STOCK EXCHANGES OR OTHERWISE, IN THE CASE OF GENERAL'S WAR-RANTS, ON A WHEN-ISSUED BASIS AND AFTER ISSUANCE IN THE OVER-THE-COUNTER MARKET UNLESS AND UNTIL LISTED ON THE AMERICAN STOCK EXCHANGE AND THE PACIFIC COAST STOCK EXCHANGE AND THEREAFTER ON SUCH EXCHANGES, AND, IN THE CASE OF GENERAL'S DEBENTURES, ON A WHEN-ISSUED BASIS AND AFTER ISSUANCE IN THE OVER-THE-COUNTER MARKET UNLESS AND UNTIL LISTED ON THE NEW YORK STOCK EXCHANGE AND THE PACIFIC COAST STOCK EXCHANGE AND THEREAFTER ON SUCH EXCHANGES. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

# GENERAL HOST CORPORATION

General Host Corporation was incorporated as General Baking Company under the laws of the State of New York in 1911. The present name was adopted in April, 1967. The Company's principal executive offices are located at 245 Park Avenue in New York City.

Three of the Company's divisions, "Van de Kamp's" on the West Coast, "Bond" in the East and parts of the Midwest and "Eddy" in the Northwest, manufacture and sell complete lines of baked goods, including bread, rolls, cakes, press sweet goods, cookies, doughnuts and miscellaneous bakery products. Van de Kamp's also processes and sells frozen convenience foods and specialty items and operates coffee shops and restaurants. Another division, "Vernell's", manufactures candy which is sold throughout the country. See "Food Productica and Processing Operations".

The Company's "Li'l General" division operates convenience stores, small self-service extended hour grocery stores, primarily in the South and Southeast. See "Convenience Store Operations".

Two wholly-owned subsidiaries, Yellowstone Park Company and Everglades Park Co., Inc., operate inns, lodges, restaurants, gasoline service stations and recreational facilities at Yellowstone National Park in Wyoming and Everglades National Park in Florida, respectively. Both companies operate under long-term concession contracts with the U. S. National Park Service.

### THE EXCHANGE OFFER

# Terms and Conditions

General Host hereby offers to exchange General Host 7% Subordinated Debentures due February 1, 1994 ("Debentures") and General Host Warrants expiring January 31, 1979 to purchase General Host Common Stock at \$40 per share ("Warrants") for all of the outstanding shares of Armour Common Stock and Armour Debentures tendered in accordance with this Exchange Offer in the ratio of

\$60 PRINCIPAL AMOUNT OF 7% DEBENTURES AND 2½ WARRANTS, EACH

WARRANT TO PURCHASE ONE SHARE OF GENERAL COMMON STOCK,

### IN EXCHANGE FOR

# EACH SHARE OF ARMOUR COMMON STOCK

#### OR IN EXCHANGE FOR

THE PRINCIPAL AMOUNT OF ARMOUR DEBENTURES (PRESENTLY \$51.14)
REQUIRED UPON CONVERSION TO OBTAIN ONE SHARE OF ARMOUR
COMMON STOCK.

General Host will not accept any tendered Armour securities unless upon acceptance of all tendered securities it would own more than 50% of the then outstanding Armour Common Stock, assuming conversion of all tendered Armour Debentures. General Host presently owns approximately 16.5% of the outstanding shares of Armour Common Stock.

If General Host accepts any Armour share or Armour Debenture tendered, it will accept all Armour shares and Debentures tendered.

A meeting of shareholders of General Host approved the Exchange Offer on January 20, 1969.

The Company has applied for listing of the Debentures on the New York Stock Exchange and Pacific Coast Stock Exchange, and the Warrants on the American Stock Exchange and the Pacific Coast Stock Exchange.

#### Tender Period and Expiration Date

The Exchange Offer will expire at 8:00 o'clock P.M., New York time on February 14, 1969, subject to extension by General Host for a further period or periods. Any such further period will be terminable by General Host on not less than 24 hours' notice delivered to the Exchange Agents. Such

date as so extended is herein referred to as the "Expiration Date". All tenders of Armour securities are irrevocable until the earlier of the Expiration Date or March 31, 1969, and include all dividends, interest payments and other distributions the record date for which is subsequent to the date of this Prospectus, with the exception of the interest due on March 1, 1969 on the Armour Debentures.

### Exchange Agents

The Exchange Agents are The First Jersey National Bank and Union Bank. All correspondence to the Exchange Agents should be addressed as follows:

# The First Jersey National Bank

P. O. Box 6846

Jersey City, New Jersey 07306

### Union Bank

Corporate Trust Department

P. O. Box 2278 Terminal Annex

Los Angeles, California 90054

# (hand deliveries: 1 Exchange Place

Jersey City, New Jersey

Window 20)

(hand deliveries: 742 South Hill Street

Los Angeles, California

10th Floor)

# Forwarding Agents

The Forwarding Agents are:

## Republic National Bank of Dallas

Republic National Bank Building

Pacific at Ervay Streets

Dallas, Texas

6th Floor

#### Girard Trust Bank

1421 Chestnut Street

Philadelphia, Pennsylvania

10th Floor

#### Crocker Citizens National Bank

1 Montgomery Street

San Francisco, California

8th Floor

## Boston Safe Deposit and Trust Company

100 Franklin Street

Boston, Massachusetts

4th Floor

#### Bank of the Commonwealth

Michigan Shelby Office

Stock Transfer Department

Detroit, Michigan

2nd Floor

Obligation to Purchase All Armour Securities

General Host will irrevocably accept and will be deemed to have accepted all tendered shares of Armour Common Stock and all tendered Armour Debentures as of the later of (a) the date upon which the Exchange Agents certify that sufficient Armour securities have been tendered so that General Host would upon acceptance of tendered securities, own more than 50% of the outstanding Armour shares if the tendered Armour Debentures were converted, or (b) the date of receipt of the Letter of Tender or an appropriate telegram or letter of guaranty by an Exchange Agent or Forwarding Agent, provided that such agent determines that the documentation with respect to such shares is complete or that General Host has waived any defects.

#### Fractional Interests of Armour Stockholders

Debentures will be issued to tendering Armour stockholders in multiples of \$60 principal amount, so no fractions of Debentures will be involved. A certificate in bearer form for one-half of a Warrant will be issued to each Armour stockholder who tenders an odd number of shares of Armour Common Stock. These half Warrants will be exercisable only in pairs, but will otherwise have the same terms and conditions as full Warrants. Two half Warrants may be exchanged at any time for a full Warrant.

#### Fractional Interests of Armour Debenture Holders

No Debenture having a principal amount of less than \$100, and no fractional Warrant, will be issued to any holder of Armour Debentures. Instead, each Armour debentureholder who accepts the Exchange Offer will thereby be deemed to have irrevocably appointed the Exchange Agents his agents to deal

with his fractional interests, if any. By indicating upon his Letter of Tender his desire to buy that additional fraction of a Debenture which will entitle him to a Debenture having a principal amount of \$100 or a multiple thereof, and by indicating upon such letter his desire to buy such additional fraction of a Warrant as will entitle him to a full Warrant or to sell the fraction of a Debenture or of a Warrant to which he is entitled, the debentureholder may have the appropriate fraction sold or bought for him. If no request for the purchase or sale of a fractional interest is received by an Exchange Agent, the debentureholder will be deemed to have elected to sell any such fractional interest. Fractional interests purchase and sale orders will be effected as soon as practicable from time to time on the basis of prevailing market prices. If the debentureholder elects to sell any fractional interest, the sale price thereof will be remitted to him by check promptly after sale by an Exchange Agent. If he elects to buy a fractional interest, an Exchange Agent will bill him for the purchase price thereof and, upon receipt of such purchase price, a certificate for a Debenture in the amount of \$100 or a multiple thereof and/or a certificate for a full Warrant will be issued to the Exchange Agent as agent for the debentureholder. If a debentureholder who elects to purchase a fractional interest fails to remit the purchase price thereof to the Exchange Agent within thirty days after being billed, the Exchange Agent may sell such fractional interest for the account of the debentureholder. All expenses payable in connection with such purchases or sales of fractional interests of holders of Armour Debentures will be borne by General Host.

# Delivery of Debentures and Warrants

With respect to all Armour securities tendered prior to the date upon which General Host becomes obligated to accept all tendered securities, General Host Debentures and Warrants will be delivered on the date of such approval or as soon as practicable ther after. As Armour securities are tendered from time to time after such date, General Host Debentures and Warrants will be delivered as soon as practicable on a daily basis. However, in the case of tenders by telegram or letter of guarantee, General Host Debentures and Warrants will be delivered as soon as practicable after the Letters of Tender and Proxy and tendered certificates relating to such guarantees have been received by an Exchange Agent. If General Host Warrants or Debentures issued in respect of purchased fractional interests are not immediately available for delivery, such Warrants and Debentures will be mailed separately as soon as they are available, but the remaining General Host Debentures and Warrants to which Armour securityholders are entitled will be delivered on the basis set forth above.

In order to expedite delivery, each tendering Armour securityholder will receive as soon as possible after his delivery of Armour securities and acceptance by General Host one General Host Debenture in a denomination representing the aggregate principal amount, one General Host Warrant in a denomination representing the whole number of Warrants, and, where needed, a bearer certificate for one-half of a Warrant to which he is entitled under the Exchange Offer; except that, with respect to holders of Armour Debentures, a \$100 Debenture and/or a single Warrant which may be due in accordance with purchase instructions respecting fractional interests will be delivered thereafter, as soon as possible after such purchase as been effected and paid for.

#### Interest

All Debentures will be dated as of March 1, 1969 and will bear interest from such date. A cash payment in lieu of interest will be paid to tendering stockholders from the date of receipt by an Exchange Agent of tendered certificates (or of a guarantee of future delivery of certificates) to March 1, 1969. Tendering holders of Armour Debentures will receive no cash payment in lieu of interest but will remain entitled to receive interest through March 1, 1969 on the Armour Debentures.

# Methods of Tendering Securities

Security holders of Armour may tender their securities by completing and signing the appropriate Letter of Tender accompanying this Prospectus and delivering such Letter of Tender, together with their certificates, to an Exchange Agent or Forwarding Agent on or prior to the Expiration Date. Insured registered mail, return receipt requested, is recommended if the mails are used. Letters of Tender and securities should not be delivered to General Host. Securities will also be deemed properly tendered if (a) prior to the Expiration Date, an Exchange Agent shall have received from a commercial bank or trust company in the continental United States, or a member firm of any registered national securities exchange or member of the National Association of Securities Dealers, Inc., a letter or telegram giving the name of the tendering holder, the amount of securities tendered, and guaranteeing that the securities will be delivered to such Agent within eight business days after notice of acceptance of such tendered securities, and that such securities will be accompanied by a properly executed Letter of Tender relating to such securities (in which case, subject to subsequent compliance with clause (b) below, the securities to which the letter or telegram relates shall be deemed properly tendered as of the date of receipt of the letter or telegram); and (b) such Agent shall have in fact received the Letter of Tender and tendered certificate or certificates within eight business days after notice of acceptance of the tendered securities.

#### Tendered Securities

No variation in the terms of the Exchange Offer is presently contemplated. However, circumstances may arise under which the terms or conditions of the Exchange Offer may be increased or otherwise varied during the tender period or any extension thereof, provided that no such variation may result in any reduction in the amounts or terms of Warrants and Debentures offered in exchange for each share of Armour stock or Armour Debentures. Among the factors that might have a bearing on any decision to vary the terms or conditions of the Exchange Offer would be changes in market conditions and further competitive bids for Armour stock, neither being presently predictable. In the event that Armour changes its business structure through the spin-off of assets or subsidiaries or similar actions, the Exchange Offer may be modified and other exchange offers may be made in respect of such spun-off assets or subsidiaries. If for any reason the terms of the offer should be increased, the terms of this Exchange Offer will be deemed amended so that all Armour holders tendering their securities pursuant to this Exchange Offer will receive any such increase, whether tendering before or after any such increase.

Any irregularities in connection with the tender of shares must be cured within such time as General Host shall determine, unless waived by General Host in its sole discretion. All tendered securities which are not in acceptable form for tender will be returned, without cost, by the Exchange Agerts or Forwarding Agents to the appropriate tendering securityholder as soon as practicable.

The Letter of Tender applicable to Armour common stock contains an irrevocable proxy in favor of General Host's nominees authorizing the voting, at any annual or special meeting of Armour stockholders, of tendered shares which are accepted prior to the date of such meeting. The Letters of Tender applicable both to Armour stock and Armour Debentures also contain irrevocable special powers of attorney to receive all future dividends or interest payments and other rights and benefits and to execute from time to time one or more further powers of attorney or proxies in favor of a nominee or nominees of General Host. Such proxies and powers of attorney are solely for the purpose of vesting General Host with the full benefits of beneficial ownership of tendered and accepted Armour securities pending the recording of the transfer of such securities on the books of Armour.

#### Solicitation of Tenders

Allen & Company Incorporated and Kleiner, Bell & Co., Incorporated, as Dealer Managers, have entered into an agreement with General Host a copy of which is filed as an exhibit to the Registration Statement, whereby they have agreed to use their best efforts to make arrangements for dealers who are members of the National Association of Securities Dealers, Inc. ("NASD") foreign dealers who comply with the rules and regulations of the NASD, or members of a national securities exchange, including themselves, to solicit exchanges pursuant to the Exchange Offer. As compensation for such services, General Host will pay to the Dealer Managers a fee of 40¢ for each share of Armour Common Stock tendered or each share of Armour Common Stock into which a tendered Armour Debenture could be converted in accordance with the Exchange Offer, to be shared equally between them. No fees will be paid with respect to shares tendered after the Expiration Date. In addition, The Kissel-Blake Organization, Inc. and D. F. King & Co., Inc. have been retained to assist in the solicitation of tenders.

Soliciting Dealers, including the Dealer Managers, when they act as such, but not including The Kissel-Blake Organization, Inc., or D. F. King & Co., Inc. will receive a fee of \$1.00 for each share of Armour Common Stock tendered or each share of Armour Common Stock into which a tendered Armour

Debenture could be converted in accordance with the Exchange Offer, but only if, with the approval of the tendering securityholder, the name of such Dealer has been inserted in a duly executed Letter of Tender in recognition of the Dealer's services in effectuating the exchange and if such fee, in the spinon of General Host's counsel, may legally be paid. No fees will be paid to Soliciting Dealers if the Exchange Offer is not consummated.

Although they do not so intend, or intend to represent, the Dealer Managers and other dealers, including The Kissel-Blake Organization, Inc. and D. F. King & Co., Inc. may be deemed to be underwriters within the meaning of the Securities Act of 1933. The Dealer Managers Agreement provides that General Host will indemnify the Dealer Managers against certain civil liabilities, including liability under the Securities Act of 1933.

# Payment of Expenses

The expenses to be incurred in connection with the Exchange Offer, including the fees of the Exchange Agents, Forwarding Agents and The Kissel-Blake Organization, Inc. and D. F. King & Co., Inc. (which have been retained for aggregate estimated fees of \$40,000 to assist in the solicitation of tenders), printing, accounting and legal fees, fees for registering the Debentures and Warrants (and shares of stock issuable pursuant to the Warrants) under Federal and state securities laws, stock transfer taxes, and miscellaneous other items, will be paid by General Host. Such expenses cannot be estimated with accuracy because of the variable factors involved; however, if all shares of Armour Common Stock and all Armour Debentures were tendered, it is estimated that such expenses may be approximately \$900,000. In addition General Host has agreed to pay the fees and expenses of the Dealer Managers and Soliciting Dealers as set forth above under "Solicitation of Tenders". If all shares of Armour Common Stock and all Armour Debentures were tendered, total fees and expenses payable by General Host would approximate \$9,000,000.

# Federal Income Tax Consequences to Armour Securityholders Who Tender

General Host has received an opinion from its counsel, Messrs. Lovejoy, Wasson, Lundgren & Ashton, that as to each Armour securityholder who exchanges shares of Armour Common Stock or Armour Debentures for Debentures and Warrants pursuant to the Exchange Offer:

- (a) Such Armour securityholder will realize gain or loss for Federal income tax purposes.
- (b) Gain or loss realized will be capital gain or loss if the Armour Common Stock or Debentures exchanged are capital assets in the hands of such Armour securityholder. Gain or loss will be longterm or short-term, depending on whether such securities have been held for Federal income tax purposes for more than six months. However, if, and to the extent that, the Armour Debentures were issued at an original issue discount as defined by Section 1232 of the Internal Revenue Co ie of 1954, part of any gain would be taxed at ordinary income tax rates. Section 1232 provides in part that where the issue price of indebtedness which is a capital asset held for more than six months is less than the amount which the issuer must pay to retire such indebtedness, the difference may be taxed as ordinary income. Such original issue discount is defined in relevant part as the difference between the stated redemption price at maturity and the price at which the issue was first sold to the public. The gain on the sale of such indebtedness, if any, which is taxable as ordinary income is computed by multiplying the original issue discount by a fraction consisting of the number of complete months the indebtedness was held over the complete months from the original issue date to the macurity date of the indebtedness. Section 1232 provides that no original issue discount will exist if the discount is less than one-quarter of one percent of the redemption price of the indebtedness at maturity, multiplied by the number of complete years to maturity.
- (c) Any Armour securityholder in whose hands the Armour Common Stock or Armour Debentures are a capital asset and who realizes a gain by acceptance of the Exchange Offer may by proper election postpone the Federal income taxation of such gain by reporting the exchange on the installment basis under Section 453 of the Internal Revenue Code, if the consideration received by him on the exchange exceeds \$1,000 and the value of the Warrants received by him under the terms of the Exchange Offer in the year in which the exchange takes place does not exceed 30 per cent of the selling price under the Exchange Offer of such Armour Common Stock or Armour Debentures. Based on values at the effective date of the Exchange Offer the value of Warrants received by Armour securityholders will apparently exceed 30 per cent of the selling price under the

Exchange Offer, in which case installment basis treatment would not be available. Any Armour securityholder who elects the installment basis should report as gain in any taxable year that portion of the payments received in that year (including, in the taxable year in which the exchange occurs, the fair market value of the Warrants on the date of exchange) which the total gain bears to the total value of the selling price. If such Armour securityholder disposes of his Debentures (within the meaning of Section 453(d) of the Code), he will realize gain or loss in the taxable year of such disposition.

(d) Any Armour securityholder who cannot or does not elect to report his gain on the installment basis will realize gain or loss in the taxable year in which the exchange is made measured by the difference between (i) the fair market value of the Debentures and Warrants on the date of such exchange, and (ii) his cost or other basis for the Armour Common Stock or Armour Debentures exchanged.

Counsel has expressed no opinion with respect to the Federal income tax consequences of the Exchange Offer to Armour securityholders who are dealers in securities or are otherwise ineligible for capital gain or loss treatment or who are members of special classes of taxpayers, under special provisions of the Code. In addition, counsel has expressed no opinion with respect to the Federal income tax consequences to Armour securityholders of any original issue discount on the Debentures (see (b) above). There is no clear authority as to whether discount can exist where debentures are issued in exchange for common stock or other property rather than for cash. As noted in (b) above, no original issue discount would exist if discount is less than ½ of 1 per cent of the redemption price of the Debentures at maturity multiplied by the number of complete years to maturity.

For further information regarding the Federal income tax consequences of the Exchange Offer, Armour securityholders are advised to consult with their own tax advisors.

Basis for Determination of the Exchange Offer

In arriving at the Exchange Offer, General Host has taken into consideration the relative financial positions and recent operating results of General Host and Armour and the businesses of each. Consideration was also given to the market values of their securities and to the \$65 offer to purchase 41% of Armour's Common Stock by T'.e Greyhound Corporation (see page A-8 to this Prospectus). None of the Debentures or Warrants to be issued in the Exchange Offer are outstanding and therefore there is no established market for them.

In August, 1968, General Host purchased 150,000 shares of Armour stock from Gulf & Western Industries, Inc. ("Gulf & Western"), and received an option from Gulf & Western to purchase an additional 600,000 shares of Armour. General Host paid \$56 per share for the 150,000 Armour shares and issued to Gulf & Western a ten-vear warrant to purchase 175,000 shares of General Host's Common Stock at \$30 per share. The number of shares subject to the warrant have since increased to 184,146 and the warrant exercise price has been reduced to \$28.51 per share pursuant to the antidilution provisions of the warrant. In October, 1968, General Host exercised its option and purchased the 600,000 shares of Armour from Gulf & Western at a price of \$60 per share. Subsequently, General Host purchased an additional 252,500 shares of Armour stock in the open market at varying prices which averaged \$58.74 per share. Presently General Host owns 1,002,500 shares of Armour stock representing approximately 16.5% of the total outstanding.

Position of Armour's Present Management

The present management of Armour has announced its opposition to the Exchange Offer in newspaper advertisements, in letters to Armour stockholders, in various press releases, in letters to financial institutions, in written and oral communications with various regulatory agencies and in a lawsuit commenced on January 23, 1969 in the United States District Court for the Southern District of New York. The lawsuit (Armour and Company et al. v. General Host Corporation et al.) charges the Company, its Directors and financial officers and the Dealer Managers with various conspiracies and acts in violation of the securities laws and seeks to enjoin the making and consummation of this Exchange Offer. On January 27, 1969, Armour's application for a temporary restraining order was denied by the Court. The Court set a hearing date of February 4, 1969 on Armour's motion for a preliminary injunction against the Exchange Offer. In the opinion of counsel for the Company, there appears to be no merit to the contentions presented in this action.

Antitrust Aspects

On January 21, 1969, General Host won complete dismissal of a legal action instituted the day before by the Department of Justice in the United States District Court for the Northern District of Illinois. This action had sought to enjoin General Host from proceeding with the Exchange Offer or from otherwise acquiring additional shares of Armour stock. It had been based upon the theory that a 1920 Packers' Consent Decree which resulted from an earlier lawsuit against Armour (United States v. Swift and Company, et al.) is or could be made applicable to General Host Corporation. The Federal Court rejected this theory and held that this Decree does not forbid acquisition by General Host of a controlling stock interest in Armour. Although an appeal of this decision could be made to the United States Supreme Court, the Department of Justice has not indicated whether it will appeal the decision. The decision in this case does not foreclose the Department of Justice from bringing an engly new lawsuit based upon the general anti-trust laws. However, there has been no indication that the Department intends to bring such an action.

To resolve this matter, if any Department of Justice appeal is successful or if the Department were to succeed in some other action, the Company may find it necessary or desirable to dispose of all or a part of its currently operating businesses or all or a part of its stock in Armour. Any disposition by General of any portion of its assets would be made only to the extent that management, upon advice of legal counsel, deems appropriate in the light of any decision that may be made by the Supreme Court if the matter is reviewed by it, or, possibly, by a lower court, if some other action were to be brought by the Department of Justice. To the extent that under such possible circumstances General Host may dispose of any of its assets, the pro forma capitalization table and financial statements contained herein might not be representative of the Company's operations. While it is impossible to predict to whom, when, and at what price, favorable or unfavorable, any such possible disposition of assets may be made, or what utilization would be made of the proceeds of any such possible disposition, it is the opinion of management, based upon a present valuation of the Company's operating businesses, that any such possible disposition under present circumstances would not have a material adverse effect upon the Company's financial position.

Other Aspects of the Exchange Offer

General Host reserves the right in its sole discretion, (a) to make offers subsequent to the expiration of the Exchange Offer for shares of Armour Common Stock or for Armour Debentures on a cash or exchange-of-securities basis or a combination thereof, by merger, or otherwise, which offers could differ in terms from the Exchange Offer described herein; and (b) prior to the date the Registration Statement becomes effective, to enter into firm arrangements for the acquisition of Armour Common Stock or Armour debentures by purchase in the open market at prevailing market prices or through negotiated purchases, or by concluding arrangements for the sale and delivery of securities, including the Debentures and Warrants (subject to necessary shareholder approval and approval of counsel as to certain legal matters), to the sellers of any such Armour Common Stock so acquired.

General Host intends to act promptly both before and after consummation of the Exchange Offer to obtain control of the board of directors and management of Armour. In this connection it may engage in the solicitation of proxies for the election of directors of Armour and other matters, both at the February 21, 1969 annual meeting of Armour and Company and otherwise.

General Host may find it desirable upon consummation of the Exchange Offer to pose to stockholders of the relevant corporations a merger or consolidation of it or its present or future subsidiaries with Armour or certain of its subsidiaries, or General Host may find it desirable to dispose of portions of the assets presently held by it or by Armour. If no such merger or consolidation occurs, and if General Host has not acquired more than 80% of Armour's Common Stock, which would allow it to enter into tax-saving arrangements, General Host may find it necessary or desirable to increase the dividend paid on common stock by Armour, or to incur new indebtedness or issue additional equity securities.

The acquisition of a majority of the Common Stock of Armour will be accounted for as a purchase. Price Waterhouse & Co., the Company's independent accountants, have reviewed the foregoing accounting treatment and approved it as being in accordance with generally accepted accounting principles.

The proceeds to General Host from any exercise of the Warrants will be used for general corporate purposes, which may include improvement or expansion of existing facilities, acquisition of new facilities or businesses, or retirement of debt.

# Information Concerning Armour

See Annex A to this Prospectus for information concerning Armour and the financial statements of Armour. General Host has requested information from Armour for use in connection with the Exchange Offer. To date Armour has declined to supply such information except for its annual report to stockholders and has declined to authorize its independent accountants to furnish General Host with signed opinions or consents. Consequently, except as otherwise indicated, all information relating to Armour, including but not limited to financial statements and statistical material, is based upon published information, including information filed with the Securities and Exchange Commission. Such Commission does not approve, disapprove or pass upon the accuracy of such information. Except as stated herein, the latest such information included was, as to audited financial statements, as of and for the year ended November 2, 1968 and, as to non-financial data, that information available at January 20, 1969. Except as stated herein, any other information regarding Armour was either not available to General Host or available only at the cost of unreasonable effort and expense. Although the information concerning Armour has been taken from public records and other sources believed by General Host to be reliable, General Host cannot warrant the accuracy or completeness of the information concerning Armour contained herein or that events, unknown to General Host, have not occurred which would affect the significance or accuracy of such information. If Armour releases significant data differing in material effect from that presented herein before or during the course of the Exchange Offer General Host will amend or supplement this Prospectus.

# EFFECT OF EXCHANGE ON ARMOUR STOCKHOLDERS WHO ACCEPT OFFER

Armour has been paying dividends on its Common Stock at an annual rate of \$1.60 per share during its last 17 fiscal quarters, and Armour's net annual per share earnings during the years 1964-1968 were only \$3.70, \$2.51, \$(0.04), \$2.61 and \$1.30, respectively. There would be \$4.20 in annual interest payable on the \$60 principal amount of General Host 7% Debentures proposed to be exchanged for each Armour share.

The per share book value of Armour (undiluted) at November 2, 1968 was \$39.23. Under the Exchange Offer, \$60 in principal amount of Debentures would be exchanged for each Armour share.

In addition, Armour stockholders would have the opportunity to participate in any possible future increases in the market value of General Host's stock through the  $2\frac{1}{2}$  Warrants to purchase General Host's stock at \$40 also to be exchanged for each Armour share.

# PRO FORMA EFFECT OF EXCHANGE ON GENERAL HOST PER SHARE EARNINGS

General Host pro forma net income for the unaudited 52 weeks ended October 5, 1968, amounted to \$1.12 per share based on average shares outstanding of 4,179,748 (including the common share equivalent of the 5% convertible subordinate notes of 1,755,555 shares). There is no way to determine the extent to which Armour stock will be exchanged for the Debentures and Warrants offered. However, combining General Host operations for the 52 weeks ended October 5, 1968 and Armour operations for its fiscal year ended November 2, 1968, General Host's pro forma income before extraordinary items would range from a high of \$3.30 per share if Armour is 100% owned to a low of \$1.03 per share if Armour is only 60% owned. After giving effect to extraordinary items, consisting primarily of Armour's \$13,215,000 non-recurring loss incurred in the disposition of its domestic Agricultural Chemical Division in 1968, General's Host's pro forma net income (loss) would range from a high of \$.45 per share if Armour is 80% owned to a low of (\$.74) per share if Armour is 60% owned. See 'Pro Forma Combined Statements of Income'.

# PRO FORMA EFFECT OF EXCHANGE ON GENERAL HOST PER SHARE BOOK VALUE

	Book V	alue
	Pro Forma(1)(3)	Assuming Full Dilution(2)
Assuming 16.5% ownership of Armour	\$20.02	\$20.39
Assuming 51% ownership of Armour		\$26.08
Assuming 60% ownership of Armour	\$27.59	\$27.49
Assuming 80% ownership of Armour	\$30.94	\$30.63
Assuming 100% ownership of Armour	\$34.29	\$33.77

- (1) Represents book value at October 5, 1968, adjusted to give retroactive effect to conversion of the 5% convertible subordinate notes and issuance of General's 7% subordinated debentures and warrants.
- (2) Represents book value at October 5, 1968, adjusted to give retroactive effect to the transactions referred to in (1) above and the exercise of the ten year warrant issued to Gulf & Western Industries, Inc. and outstanding employee stock options.
- (3) Included in the pro forma book value are unamortized bond discount and excess of cost of investment in Armour over equity in net assets of \$23.33 per share at 51%, \$27.90 at 60%, \$38.06 at 80% and \$48.21 at 100%.

# PRICE RANGES OF COMMON STOCK

# General Host Corporation

The following table sets forth the closing price ranges of General Common Stock on the New York Stock Exchange during each of the last three calendar years:

Year	High	Low
1966		
1st quarter	233/8	141/8
2nd quarter	211/2	16
3rd quarter	185/8	151/4
4th quarter	171/2	135/8
1967		
1st quarter	223/4	153/8
2nd quarter	351/2	221/8
3rd quarter	407/8	34
' 4th quarter	391/8	271/2
1968		21-/
1st quarter	377/8	217/8
2nd quarter	333/4	221/8
3rd quarter	351/2	275/8
4th quarter	45	325/8
1969	105/	321/
1st quarter through January 28	4058	321/2

On January 28, 1969 the reported closing price per share of General Common Stock was 395%.

# Armour and Company

The following table sets forth the high and low selling prices for Armour Common Stock on the New York Stock Exchange during each of the last three calendar years:

Year	High	Low
I Cal		
1966: 1st quarter 2nd quarter 3rd quarter	48 47½ 37%	423/ <sub>8</sub> 353/ <sub>4</sub> 28 <sup>1</sup> / <sub>4</sub>
4th quarter	34	263/4
1967: 1st quarter	39 36¾ 40½ 37¾	31 32 35% 32¾
1968: 1st quarter 2nd quarter 3rd quarter 4th quarter	463/8 521/4 50 631/2	32¼ 34⅓ 44 49¾
1969 1st quarter through January 28	65	53

The reported closing price per share of Armour Common Stock on January 28, 1969, was 65.

On January 28, 1968 The Greyhound Corporation offered to acquire up to 41% of Armour's outstanding Common Stock for \$65 per share (see p. A-8 of this Prospectus).

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#### CAPITALIZATION

	Historical	Pro Forma Assuming Armour is			
G	eneral Host Corporation vember 30, 1968	51% Owned	60% Owned	80% Owned	100% Owned
General Host		-			
Long-Term Debt(1):					
Company:					
Notes Payable to insurance companies	9,400,000	\$ 9,400,000	\$ 9,400,000	\$ 9,400,000	\$ 9,400,000
60% Cumulative Income Subordinated	0.124.400	9,134,400	9,134,400	9,134,400	9,134,400
Dehentures due 12/1/90	<b>9,134,400 4,750,000</b>	4,750,000	4,750,000	4,750,000	4,750,000
Notes Payable to banks due 1968-1973	4,730,000	4,7 50,000	.,.		477 400 000
5% Convertible Subordinate Notes due 6/15/88	47,400,000	47,400,000	47,400,000	47,400,000	47,400,000
Bank loans (3)	14,000,000	15,300,000	16,200,000	18,100,000	20,000,000 980,402
Other	980,402	980,402	980,402	980,402	347,040,000
7% Subordinated Debentures (4)	-	147,480,000	184,140,000	265,620,000	347,040,000
Subsidiaries:					
Subsidiary Note Payable to bank due	240,000	340,000	340,000	340,000	310,000
1060	340,000 695,431	695,431	695,431	695,431	695,431
Other Subsidiary Debt 3% to 6%	093,431	0,5,40%	0.0,		
Armour					
Long-Term Debt(1):		16,046,000	16,046,000	16,046,000	16,046,000
First Mortgage Sinking Fund Bonds		24,000,000	24,000,000	24,000,000	24,000,000
Notes Pavable-Banks (5)		3.000,000	3,000,000	3,000,000	3,000,000
7% Purchase Money Note due 1/11/71		9,754,000	9,754,000	9,754,000	9,754,000
Equipment lease obligations		.,,		47 575 000	47,525,000
5% Cumulative Income Subordinated Debentures due 11/1/84		47,525,000	47,525,000	47,525,000	***************************************
Total	\$86,700,233	\$335,805,233	\$373,365,233	\$456,745,233	\$540,065,233
Total	400/100/		-		
Capital Stock:					0.000.070
General Host Common Stock \$1 par value (6), (7) and (8)	\$ 2,550,872	\$ 2,550,872	\$ 2,550,872	\$ 2,550,872	\$ 2,550,872
General Host capital in excess of par			44 000 000	61,181,000	75,552,000
	a tjurioji i o	40,329,000	46,800,000	01,101,000	
A -mous and Company \$4.75 Preferred	1	52,635,200	52,635,200	52,635,200	52,635,200
Stock (\$100 par value)		Jajorojavo			

(1) Includes long-term debt due within one year.

(2) The notes payable to insurance companies bear interest at 51/4%. These notes will be repaid in August 1969 if General Host consummates the Exchange Offer and it is presently anticipated that they will be refinanced at the company's

(3) Represents proceeds from a \$20,000,000 loan agreement entered into on November 1, 1968. Interest is 1% above the

(4) 7% Subordinated debentures which are to be issued in exchange for Armour stock at the rate of \$60 principal amount plus 21/2 warrants per Armour share. The debentures will be due February 1, 1994.

(5) Armour borrowed funds under a 1966 revolving bank credit agreement. Interest is at the prime rate. On Experil 1, 1969 Armour may convert any portion of this debt into 5% term notes payable in eight semi-annual instalments to April 1, 1973.

(6) Includes 63,000 shares held in treasury.

(7) A proposal to amend the certificate of incorporation by increasing the authorized number of shares of common stock of the company from 10,000,000 shares to 30,000,000 shares was adopted at a special meeting of shareholders held on January 20, 1969. The company also has 1,000,000 shares of Preferred Stock \$1 par value authorized, none of which are outstanding.

(8) The number of warrants to purchase General Host Corporation common stock to be issued under the above assumptions and the proceeds to be received from the exercise thereof are as follows:

	51%	60%	80970	10076
Number of warrants	6,145,000	7,672,500	11,067,500	14,460,000
	# 245 900 000	\$306,900,000	\$464,300,000	\$578,400,000
Proceeds	\$243,500,000	Mary Control of Contro		STATE OF THE PARTY

# PRO FORMA COMBINED STATEMENTS OF INCOME (unaudited)

The following unaudited pro forma statement combines the operations of General for the 52 week period ended October 5, 1968, adjusted to give effect to certain transactions occurring subsequent to October 5, 1968 as set forth in Note 1 hereto, with those of Armour for the 53 week period ended November 2, 1968, as set forth in Armour's Consolidated Statement of Earnings included elsewhere See "Information concerning Armour" elsewhere herein. This statement assumes the issuance for each share of Armour's common stock acquired, of \$60 principal amount of General's 7% subordinated debentures due February 1, 1994 plus 21/2 warrants expiring January 31, 1979 to purchase General common stock. See "Description of Debentures" and "Description of Warrants" elsewhere herein, Inasmuch as there can be no assurance of the extent to which the Armour shares will be exchanged for the General debentures and warrants, this statement gives effect to the assumptions that General acquires 51%, 60%, 80% and 100% of the outstanding common stock of Armour and that the transaction will be accounted for as a purchase. This statement should be read in conjunction with the financial statements of the respective companies included elsewhere herein.

Pro Forma General Host Comporation assuming Armour is Corporation Pro Forma (Note 1) Armour and 100% owned (Historical) 60% owned 89% owned 51% awned (Stated in thousands of dollars) \$2,298,441 \$2,298,441 \$2,298,441 \$2,298,441 \$2,096,402 \$ 202,039 Sales ..... 2.273,746 2,267,732 2,261,714 2,259,004 2,048,749 198,881 Costs and expenses ..... 3,239 7,926 14,722 12,613 739 Minority interest ..... 8,785 11,961 22,164 21,670 368 22,164. Federal income taxes ..... 2,285,770 2,287,619 2,295,890 2,296,491 199,249 2,071,158 12,671 10,822 1,950 2,551 2,790 Income before extraordinary items ... 25,244 Extraordinary items, net of related (12,698)(10,055)(7,412)(6,223)(13,215)517 taxes and minority interest ...... (27)767 (5,462)(3,672)3,307 12,029 Pro forma net income (loss) ...... 2.500 Dividends on preferred shares ..... Pro forma income (loss) applicable (27)(5,462)767 3,307 (3,672)9,529 to common stock Income per share: \$ 1.00 \$ 3.15 Income before extraordinary items .12 (1.83)Extraordinary items ..... \$ 1.12 \$ 1.32 Net income ..... Pro forma income (loss) per share: \$ 3.30 \$ 1.03 \$ 2.86 \$1.18 Income before extraordinary items (3.04)(1.77)(2.41)(1.49)Extraordinary items ..... \$ .26 \$ (.74) \$ .45 \$(.31) Pro forma net income (loss) ...

The amounts included above for pro forma General Host Corporation assuming Armour is 51% owned, 60% owned, 80% owned and 100% owned do not include any amounts for amortization of the estimated excess of the purchase price over the net assets of Armour acquired of \$73,248,000, \$86,249,000, \$115,152,000 and \$143,994,000, respectively, because the Company does not have sufficient information at this time to make any allocation of such excess. When such allocation can be made, it is intended that the excess will be allocated among Armour's assets based on their present values. To the extent such allocation is made to depreciable or amortizable assets, increased depreciation and amortization could have a material effect on future earnings of General Host Corporation.

#### NOTE 1:

0

The General Host Corporation pro forma column represents the historical operations of the company for the 52 week period ended October 5, 1968, adjusted to give retroactive effect for the full year to:

(a) The issuance in October 1968 of \$47,400,000 of 5% convertible subordinate notes, due 1988, and the use of the proceeds to purchase 750,000 shares of Armour common stock.

(b) The \$14,000,000 bank loan in November 1968 and the use of the proceeds to purchase 252,500 shares of Armour common stock.

## NOTES TO PRO FORMA COMBINED STATEMENTS OF INCOME

#### NOTE 2:

The following pro forma adjustments are given effect to in the above pro forma combined statements of income:

	General Host	Pr	assuming		MA .
	(Pro Forma)	51% owned	80% owned	80% owned	100% owned
Net income of General Host for unaudited 52			(Stated in thou	sands of dollars)	
weeks ended October 5, 1968	\$3,628	\$ 3,628	\$ 3,628	\$ 3,628	\$ 3,628
Add: Dividend income (a) Net income of Armour (b)	1,604	12,720	12,720	12,720	12,720
	5,232	16,348	16,348	16,348	16,348
Deduct: Interest expense (c)	3,420 — (1,495)	14,655 7,508 (2,143)	17,365 6,588 (2,143)	23,383 4,544 (12,346)	29,397 2,500 (15,522)
	1,925	20,020	21,810	15,581	16,375
Pro forma net income (loss)	\$3,307	\$(3,672)	\$(5,462)	\$ 767	\$ (27)

- (a) Represents dividends on 1,002,500 shares of Armour common stock at an assumed annual dividend rate of \$1.60 per share. Although the assumed rate of \$1.60 per share reflects Armour's actual dividend policy during its last seventeen fiscal quarters, the company has no control over Armour's dividend policy and there is no assurance that this policy will be continued.
- (b) Represents Armour's net income for the fiscal year ended November 2, 1968 in the amount of \$12,029,000, adjusted to give effect to the estimated annual interest savings, net of tax, of \$691,000 resulting from the assumed conversion of Armour's 4½% convertible subordinated debentures at the beginning of the period. See Note 4 to the pro forma combined statements of income.
- (c) Represents interest expense for a full year on the following:
  - (1) The \$47,400,000 of 5% convertible subordinate notes of General issued in October 1968 and the \$14,000,000 bank loan in November, the proceeds of which were used to acquire shares of Armour common stock.
  - (2) The 7% subordinated debentures of General which will be issued in exchange for Armour stock at the rate of \$60 principal amount plus 2½ warrants expiring January 31, 1979. Interest expense for the 7% debentures includes a full year's amortization of the estimated original issue discount on the 7% subordinated debentures computed by the "interest method". The aggregate amount of the original issue discount is estimated to be \$61,253,000 on the 100% owned basis and the amortization thereof computed by the "interest method", will gradually increase from \$731,000 in the first year to \$5,728,000 in the twenty-fifth year.
  - (3) The refinancing of General's 51/4% notes payable to insurance companies in the amount of \$9,400,000, through borrowings at the company's current borrowing rate.
  - (4) Additional borrowings under General's bank loan agreement of \$1,300,000, \$2,200,000, \$4,100,000 and \$6,000,000 on the 51%, 60%, 80% and 100% owned bases, respectively.
- (d) Represents the minority share of Armour's net income plus the \$2,500,000 annual dividend on the 526,352 shares of Armour \$4.75 preferred stock outstanding.

#### NOTE 3:

No pro forma adjustment has been made to reflect amortization of the excess of the purchase price over the net assets of Armour acquired because the company does not have sufficient information to make any allocation of such excess.

#### NOTE 4:

In determining the number of shares of Armour which would have to be acquired to attain the various levels of ownership reflected in the pro forma combined balance sheets and statements of income, it was assumed that the Armour 4½% convertible subordinated debentures outstanding at November 2, 1968 were converted into common stock of Armour at the beginning of the year and that the Armour stock options outstanding at November 2, 1968 were exercised at the beginning of the year and the proceeds used to acquire Armour common stock for the treasury at the current market price.

If the debentures and stock options were assumed not to have been converted and exercised and, accordingly the related shares not tendered in the exchange offer, pro forms net income on the 100% owned basis would be increased by approximately \$720,000, representing the reduction in interest expense, net of related taxes, on the 7% subordinated debentures of General not issued.

#### NOTE 5:

The Armour and Company (Historical) earnings per share are based on the weighted average shares of Armour outstanding during the year ended November 2, 1968.

The pro forma earnings (loss) per share are based on the average number of shares of the company's common stock outstanding during the 52 weeks ended October 5, 1968, after giving retroactive effect to (1) the shares issued in exchange for the stock of Li'l General Stores, Inc. on July 19, 1968 and (2) the common share equivalent (1,755,555 shares) of the company's 5% convertible subordinate notes issued in October 1968.

A "residual security", as defined by the Accounting Principles Board of the American Institute of Certified Public Accountants, is one which clearly derives a major portion of its value from its conversion rights or its common stock characteristics. Under this definition, the company's 5% convertible subordinate notes were not residual securities at the time of their issuance. However, as defined by the Securities and Exchange Commission, a security is "residual" if, at the time of issuance, the terms are such as to result in immediate material dilution to pro forma earnings per share, assuming conversion, whether or not a majority of its value may be derived from its conversion rights. Under this definition, the company's 5% convertible subordinate notes are "residual" securities and, accordingly, their common share equivalent has been combined with the average shares outstanding in computing pro forma earnings (loss) per share.

# PRO FORMA COMBINED BALANCE SHEETS (unaudited)

The following unaudited pro forma balance sheets combine the accounts of General at October 5, 1968, adjusted to give effect to certain transactions occurring subsequent to October 5, 1968 as set forth in Note 1 hereto, with those of Armour at November 2, 1968 as set forth in Armour's Consolidated Statement of Financial Position included elsewhere herein. See "Information Concerning Armour" elsewhere herein. Inasmuch as there can be no assurance of the extent to which the Armour shares will be exchanged for General's debentures and warrants, this statement gives effect to the assumptions that General will acquire 51%, 60%, 80% and 100% of the outstanding common stock of Armour and that the transaction will be accounted for as a purchase. This statement should be read in conjunction with the financial statements of the respective companies included elsewhere herein.

	Armour and	General Host Corporation	Pro Forma General Host Corp		poration assumb	ng Armour te
	Company (Historical)	Corporation Pro Forma (Note 1)	51º ed	60% owned	80% owned	100% owned
		(Stated in thousands of dollars)				
ASSETS				*****	0.000 0/0	0172 267
Current assets	\$340,356	\$ 35,139	\$372,267	\$372,267	\$372,267	\$372,267
Investment in Armour and Company		60,347		Green .		70.044
Other investments	69,651	1,193	70,844	70,844	70,844	70,844
Property and plant	138,378	41,139	179,517	179,517	179,517	179,517
Deferred charges	12,084	1,548	13,839	13,839	13,839	13,839
Unamortized bond discount			25,738	32,134	46,352	60,561
Excess of cost of investment in Armour over equity in net assets			73,248	86,249	115,152	143,994
Total assets	\$560,469	\$139,366	\$735,453	\$754,850	\$797,971	\$841.022
LIABILITIES AND STOCKHOLDERS' EQUITY  Current liabilities		\$ 14,974 85,067 —	\$110,699 180,090 147,480 36,274	\$110,699 180,946 184,140 36,274	\$110,699 182,847 265,620 36,274	\$110,699 184,747 347,040 36,274
Reserves and deferred credits		1,770			66,012	11,53
Minority interest in subsidiary	268,692	101,811	619,548	632,549	661,452	690,29
STOCKHOLDERS' EQUITY					52.625	53.61
Preferred stock	52,635		52,635	52,635	52,635	52,63
Common stock	38,071	2,551	2,551	2,551	2,551	2,55
Capital in excess of par value	152,095	14,299	40,329	46,800	61,181	75,55
Retained earnings	124 602	22,945	22,630	22,555	22,392	22,23
	367,494	39,795	118,145	124,541	138,759	152,00
Less: cost of treasury stock	. 75,717	2,240	2,240	2,240	2,240	2,24
Total Stockholders' Equity .	Mark of the Control o	37,555	115,905	122,301	136,519	150,72
Total Liabilities and Stockholdern Equity	9560.460	\$139,366	\$735,453	\$754,850	\$797,971	\$841,02

### NOTE. TO PRO FORMA COMBINED BALANCE SHEETS

#### NOTE 1:

The General Host Corporation pro forms column represents the historical financial position of the company at October 5, 1968, adjusted to give retroactive effect to:

- (a) The issuance by the company in October 1968 of \$47,400,000 of 5% convertible subordinate notes, due 1968, and the use of the proceeds to purchase 750,000 shares of Armour common stock.
- (b) The company's \$14,000,000 bank loan in November 1968 and the use of the proceeds to purchase 252,500 shares of Armour common stock.

#### NOTE 2:

No allocation has been made of the excess of the purchase price over the net assets of Armour acquired because the Company does not have sufficient information to make such an allocation.

#### NOTE 3:

The following pro forma adjustments have been given effect to in the above statement:

- (a) The sale in October 1968 of \$47,400,000 of General's 5% convertible subordinate notes, the bank borrowing of \$14,000,000 in November 1968 and the purchase of 1,002,500 shares of Armour common stock with the proceeds therefrom.
- (b) The conversion of Armour's 4½% convertible subordinated debentures into 636,645 shares of Armour common stock and the exercise of Armour's employee stock options into 146,940 shares of Armour common at the beginning of the period.
- (c) The assumed borrowing, at the company's current borrowing rate, of \$1,300,000, \$2,200,000, \$4,100,000 and \$6,000,000 on the 51%, 60%, 80% and 100% owned bases respectively, representing the excess of the maximum estimated expenses of the proposed tender offer over the amount of internally generated funds presently available for such purpose.
- (d) The issuance by General for each share of Armour common stock, of \$60 principal amount, 7% subordinated debentures and warrants to purchase 2½ shares of General common stock. The 7% debentures have been recorded at an assumed original issue discount of 17.65% and amortization for a full year recorded by use of the "interest method". The warrants have been recorded at an assumed value equivalent to the original issue discount on the 7% debentures by increasing both the investment in the stock of Armour and capital in excess of par value.

# GENERAL HOST CORPORATION and Subsidiary Companies

# CONSOLIDATED STATEMENT OF INCOME

The following consolidated statement of income, insofar as it relates to the five fiscal years ended December 30, 1967, has been examined by Price Waterhouse & Co., independent accountants, whose opinion thereon (which contains a qualification as to consistency in the application of accounting principles relating to the method of computing depreciation as explained in Note (b) hereto, and which is based in part on the opinions of other independent accountants) appears elsewhere herein. This statement includes the results of operations of Li'l General Stores, Inc. which was merged into General Host Corporation on July 19, 1968 and accounted for as a pooling of interests. In the opinion of the Company, all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the unaudited interim periods, have been included. This statement should be read in conjunction with the other consolidated financial statements and notes thereto of General Host Corporation and subsidiary companies included elsewhere herein:

subsidiary companies merases o						40 At ocurs	ED KNOLENN	
			oded proximate to		1967	October 7, 1967	October 5, 1968	
	1963	1964	1965	1966	******	(was add	***************************************	
Sales	\$181,615,924	\$187,813,658	\$185,418,203	\$175,504,617	\$196,816,066		\$156,265,576	
Less-Sales of facilities disposed of (c)	34,552,032	33,711,031	28,242,354			4000	_	
Net Sales Dividends, interest and other income	147,063,892 197,581	154,102,627 272,740	157,175,849 211,381	175,504,617 269,307	196,816,066 187,338	151,929,594 154,276	156,265,576 612,013	
Dividends, interest and other factories	147,261,473	154,375,367	157,387,230	175,773,924	197,003,404	152,083,870	156,877,589	
Cost of sales and service, exclusive of depreciation and amortization	88,966,273	96,123,066	103,843,899	116,904,628	131,160,136	100,974,990	102,828,174	
Delivery, selling, advertising and administrative expenses  Depreciation and amortization (b)  Interest expense	49,240,416 3,790,876 794,671	49,637,807 4,064,756 789,982	46,850,954 4,209,067 817,655	49,794,881 4,168,495 1,287,636	56,064,788 4,013,685 1,398,871	4, 77 252 3,213,692 1,082,535	45,332,53 <b>5</b> 3,204,003 1,282,995	
Interest expense	142,792,236	150,615,611	155,721,575	172,155,640	192,637,480	148,264,469	152,647,707	
Operating loss of facilities dis- posed of (c)	1,645,000	1,712,000	2,030,000	-		anus		
posed of (c)	144,437,236	152,327,611	157,751,575	172,155,640	192,637,480	148,264,469	152,647,707	
Income (loss) before federal income taxes and extraordinary items	2,824,237 1,402,000		and the second second second		and the second second	3,819,401 1,622,129	4,229,882 1,565,056	
Income (loss) before extraor- dinary items Extraordinary items (Note 3) (d)	1,422,237 170,000		and the second second second second			2,197,272	2,664,826 517,270	
Net income (loss) (b, d and e)	\$ 1,592,237	\$ 1,383,756	\$ (2,414,919	\$ 2,712,327	\$ 2,713,924	\$ 2,197,272	\$ 3,182,096	
Per share of common stock (i): Income (loss) before extraordinary items Extraordinary items (d)	\$ .37	\$ .35 .02	\$ (.38) (.95)	\$ .90 .31	\$1.18	\$ .96	\$1.09 .21	
Net income (loss)	\$ .47	\$ .37	\$(1.33)	\$1.21	\$1.18	\$ .96	\$1.30	
Pro forma net income (g)					\$ .95	\$ .76	\$ .96	

Numerical note references are to notes to the consolidated financial statements of the company included elsewhere herein.

<sup>(</sup>a) On July 19, 1968 the company issued 661,279 shares of its stock in exchange for all of the outstanding common stock of Li'l General Stores, Inc., on the basis of nine-tenths of a share of General Host common stock for each share of Li'l General stock. The transaction has been accounted for as a pooling of interests and, accordingly, the results of operations of the two companies have been combined for all periods prior to the merger in the above consolidated statement of income. The results of operations for the 40 week period ended October 5, 1968 include the operations of Li'l General Stores, Inc. for the 40 weeks ended October 5, 1968, and the results of operations for the fiscal year ended December 30, 1967 includes the operations of Li'l General Stores, Inc. for its fiscal year ended October 28, 1967. Accordingly, Li'l General's sales of \$7,793,738 and net income of \$165,287 for the two months ended December 31, 1967 have not been included in the statement of income. See Nove 1 to the consolidated financial statements.

# GENERAL HOST CORPORATION AND SUBSIDIARY COMPANIES

# NOTES TO FINANCIAL STATEMENTS-(Continued)

Preclously reported sales and net income have been restated as indicated below:

						49 11 6000	B. E. SHERAND
Sales 1963	1963	1964	1965	1963	1967	Oct. 7, 1967	Oct. 5, 1968
	alestamento.					(sma	udltsi()
General Host Corporation Lil General Stores, Inc	\$164,888,904 16,727,020	\$164,218,306 23,595,352	\$156,142,635 29,275,568	\$138,955,475 36,549,142	\$155,241,721 41,574,345	\$119,952,516 31,977,078	\$131,374,267 24,891,309*
En Granda Bronning and T	£181,615,924	\$187,813,658	\$185,418.203	\$175,504,617	\$196,816,066	\$151,929,594	\$156,265,576
Net Income General Host Corporation Li'l General Stores, Inc	\$ 1,242,131 350,106	\$ 1,037,463 346,293	\$ (2,932,474) 517,555	\$ 1,451,723 1,260,604	\$ 1,996,601 717,323	\$ 1,642,954 554,318	\$ 2,590,446 591,650**
Lit General States, inc	\$ 1,592,237	\$ 1,383,756	\$ (2,414,919)	\$ 2,712,327	\$ 2,713,924	\$ 2,197,272	\$ 3,182,096

<sup>\*</sup> Represents operations of Li'l General Stores, Inc. for period prior to merger.

<sup>(</sup>d) In a conducted with Accounting Principles Board Opinion No. 9, transactions in the years 1963 to 1966 which previously were reported as special items after net income have been reflected in the above statement as extraordinary items and included in net income. The extraordinary items consist of the following:

and the batter and	1963	21/94	1965	1966	Oct. 5, 1968
General Host Corporation:		1.0.000			("naudited)
Provision for losses incurred and estimated future losses on discontinuation of certain activities and disposal of facilities, less related feleral income tax reduction (1)			\$(2,144,574)		
Gain on sale of investment in Uncle John's Restaurants Inc., less related federal recome tax of \$365,000 (Note 2)					\$ 818,270
\$239,000(2)					(301,000)
Li'l General Stores, Inc.:  Reduction in federal income taxes arising from utilization of operating loss carryforwards	\$ 170,000	\$ 35,000	45,000	\$ 25,000	
Proceeds from officers' life insurance net of sur- render value				665,043	
render value	\$ 176,000	\$ 35,000	\$(2,099,574)	\$ 690,043	\$ 517,270
	MANAGEMENT ASSESSMENT TO THE			According to the second second second	CONTRACTOR PROPERTY.

<sup>(1)</sup> The net loss for 1965 has been restated to give effect to the adjustment in 1967 of the reserve for losses established in 1965. This retroactive adjustment reduced the amount of the extraordinary charge and net loss for 1965 by \$346,695 or \$.16 per share, representing the reversal of the \$624,695 remaining balance in the reserve, less related federal income tax reductions of \$278,000. See Note 3 to the consolidated financial statements.

<sup>(</sup>b) Effective January 1, 1967 the company, for financial reporting purposes, changed from an accelerated method to the straight-line method of computing depreciation while continuin, to use accelerated methods for tax purposes. This change had the effect of decreasing depreciation expense for 1967 by approximately \$1,150,000 and, after provision for deferred federal income taxes, increasing net income by approximately \$600,000 or \$.26 per share.

<sup>(</sup>c) During 1963 the Company adopted a program for the discontinuation of unprofitable operations and the disposal of idle facilities. Sales and related costs and expenses of these operations, except for federal income \*axes and interest expense, have been deducted from their respective categories and the net result shown as a separate item in the consulidated statement of income for the fiscal years 1963 through 1965. Operations subsequent to 1965 do not include any sales or operating results of such facilities.

<sup>(2)</sup> The sales and operating loss, before deducting federal income taxes and interest expense, of the facility disposed of were \$7,516,000 and \$312,000, respectively, for the 40 weeks ended October 5, 1968.

<sup>(</sup>e) As more fully explained in Note 1 to the consolidated financial statements, on October 5, 1966 the Company purchased all of the issued and outstanding stock of Yellowstone Park Company and Everglades Park Co., Inc. In December 1966, Yellowstone and Everglades changed their fiscal years from September 30 to an approximate calendar year basis to conform with the company's fiscal year. The operations of Yellowstone and Everglades have been included in the consolidated statement of income from the date of acquisition; however, in heu of the previously followed practice of deferring preseason fixed costs incurred during the last quarter of the calendar year, the net loss from the date of acquisition to December 31, 1966 amounting to \$336,834 was charged against income for 1966 and offset by the inclusion in income of an equivalent amount of amortization of the excess of equity in net assets over cost.

# GENERAL HOST CORPORATION AND SUBSIDIARY COMPANIES

#### NOTES TO FINANCIAL STATEMENTS-(Continued)

- (f) Based on the average number of shares of General Host common stock outstanding during each period, after giving retro-ctive effect to the issuance of nine-tenths of a share of General Host common stock in exchange for each share of LiT General common stock outstanding and after deducting the annual preferred dividend requirements of General Host for the fiscal years 1963 through 1965 of \$578,888, \$577,111 and \$520,892, respectively.
- (g) The pro forma net income per share is based on the assumption that the Company's \$47,400,000 of 5% convertible aubordinate notes, due June 15, 1988 and issued in October 1968 are "residual securities" and, accordingly, were converted into 1,755,555 shares of common stock at the beginning of the periods with the proceeds of the offering used to acquire common stock of Armour and Company. See Note 5 to the pro forma combined statements of income and Notes 2 and 5 to the Consolidated Financial Statements of General Host Corporation. There would be no change in the pro forma earnings per share if the ten-year warrant issued to Gulf & Western Industries, Inc. on August 6, 1968 and outstanding employee stock options were exercised at the beginning of the periods and the proceeds used to reduce outstanding debt.

Assuming recognition of the assignment of a value to the convertibility feature of the company's \$47,400,000 of 5% convertible subordinate notes as discount and assuming that the amount so assigned would aggregate approximately \$14,073,000, amortization thereof using the straight-line method over a period of 20 years would result in an annual amortization charge of approximately \$704,000 which, net of related federal income taxes, would be approximately \$.14 per share, based on the average shares outstanding during the 40 weeks ended October 5, 1968. The Company does not intend to impute any discount to the notes by reason of the value of their convertibility feature unless it is required to do so, and, if so required, the amount ultimately imputed may be different from that stated above.

# Recent History HISTORY AND BUSINESS OF GENERAL HOST

Since the date of its incorporation General Host has been engaged in the manufacture and sale of a complete line of bakery products, including bread (its principal baking product), rolls, cakes, pies and sweet goods. In the Fall of 1965 the Company undertook a program of disposing of unprofitable baking plants and properties and since such time has sold 17 non-productive properties and unprofitable baking plants. Thus, while the Company's sales declined in 1966, the elimination of these loss operations helped to enable it to attain a profit. The program for disposal of unprofitable plants has been completed. Subsequently the Company has expanded into tourism, convenience food and food service operations and convenience store operations.

In 1965 The Goldfield Corporation ("Goldfield") purchased 806,200 shares of the Company's stock, approximately 51% of the total then outstanding. Goldfield sold 400,000 of these shares on May 11, 1967 in an underwritten public offering and acquired an additional 31,500 shares by the exchange of its 35,000 shares of Li'l General Stores, Inc. upon the merger of that corporation into the Company. It presently holds 437,700 shares, approximately 17% of the total now outstanding. Following Goldfield's purchase, ir. May 1965, Mr. Richard C. Pistell, Chairman of the Board of Goldfield, became Chairman of the Company's Board. Mr. Harris J. Ashton, President of the Company, is a Director of Goldfield.

During 1963 and 1964 Goldfield purchased land at five locations in Arizona, New Mexico and Colorado for use in developing tourist accommodations and recreational facilities under a program known as the "Frontier West Project". On August 8, 1966 Goldfield purchased all of the stock of Yellowstone Park Company for \$4,000,000 in cash. On June 1, 1966 Goldfield acquired all of the outstanding stock of Everglades Park Co., Inc. in exchange for 778,946 shares of its Capital Stock. On October 5, 1966 Goldfield sold all of the outstanding stock of Yellowstone Park Company and of Everglades Park Co., Inc. and the assets comprising the Frontier West Project to the Company in a single transaction. The sale price which was equal to the cost of the assets on Goldfield's books was \$6,353,662 in cash and the assumption by the Company of a mortgage debt of \$99,634. Goldfield acquired Yellowstone and Everglades in 1966 because the initial contacts and negotiations relative to these acquisitions had been conducted by Goldfield. Goldfield initially considered the acquisition of Yellowstone in 1964 while Goldfield owned a controlling interest in Frontier Airlines, Inc. During the period of its ownership of Frontier Airlines, Inc., Goldfield started the Frontier West program and con-

sidered other investments in the tourism field. It originally acquired these properties with the intention of developing them itself. It was not feasible at that time, however, for Goldfield to arrange the long term financing necessary to provide funds for the development of the potential of these properties in the foreseeable future. The Company, on the other hand, was in a better position to realize that potential.

In April, 1967, the Company changed its name from General Baking Company to General Host Corporation to reflect the diversification in its activities caused by its interests in the food-service and tourism industries.

In April, 1968, the Company issued and sold 200,000 shares of additional Common Stock in an underwritten public offering. The net proceeds to the Company from this offering were approximately \$4,144,000 after all expenses.

In July, 1968, Li'l General Stores, Inc., a Minnesota corporation, merged into General pursuant to an Agreement and Plan of Merger approved by the shareholders of both companies. The merger was accounted for as a pooling of interests. Li'l General Stores, Inc. owned and operated the properties which are now a part of the Company's Li'l General Stores Division. See "Convenience Store Operations".

In August, 1968, the Company in a single transaction acquired from Gulf & Western Industries, Inc. 150,000 shares of common stock of Armour at \$56 per share and an option to acquire a further 600,000 shares of Armour at \$60 per share. In connection with this transaction the Company also granted Gulf & Western Industries, Inc. a ten year Warrant to purchase 175,000 shares of Common Stock of the Company exercisable at \$30 per share. (Because of antidilution provisions in this Warrant which were activated by the sale of the 5% Convertible Subordinate Notes referred to below, this exercise price is now \$28.51 and the number of shares involved is 184,146.)

In August, 1968, the Company sold its 41% interest in Uncle John's Restaurants, Inc., a California-based chain of owned and franchised pancake houses and restaurants for \$4,589,375, which resulted in a gain, net of related federal income taxes, of \$818,270. This investment was made in 1966 and 1967.

In October, 1968, the Company, pursuant to shareholder approval, issued \$47,400,000 in principal amount of 5% Convertible Subordinate Notes due June 15, 1988, and used a portion of the proceeds to purchase the 600,000 shares of Armour stock from Gulf & Western Industries, Inc. in accordance with the terms of the Company's option from Gulf & Western Industries, Inc. In November and December, 1968, the Company acquired an additional 252,500 shares of Armour common stock in a series of market transactions. The average price per share paid for this stock was \$58.74. Also in November, 1968 the Company entered into a Loan Agreement providing for leans to the Company of up to \$20,000,000 by three banks for the purpose of financing purchases of Armour stock for cash. See "Investment in Armour" and Annex A.

# Capital Expenditure Program

In 1967 the Company spent more than \$8,000,000 for expansion of capital facilities, including new ovens, machinery and equipment for baking plants, trucks and other vehicles, additional frozen storage capacity, new and renovated restaurants and coffee shops, renovation and improvement of tourist facilities at Yellowstone and Everglades and completion of the Frontier West tourist operation at Houck, Arizona.

The Company has continued its capital expenditures program during 1968, spending close to \$6,000,000 for substantially increasing the frozen convenience food facilities of Van de Kamp's, establishing additional Van de Kamp's coffee shops, continuing the automation and modernization programs for baking facilities of Van de Kamp's, Bond and Eddy, building new lodging units, dining facilities, camper service facilities and gift shops, modernizing landscaping and improving existing guest and tourist facilities of Yellowstone and Everglades, and building additional Li'l General convenience stores.

The Company proposes to continue its capital expenditures program during 1969 using funds to be derived from retained earnings and accumulated depreciation. There can, however, be no assurance that this program will continue on schedule because it depends in part on funds to be generated by operations

# Food Production and Processing Operations

Seattle areas, Bond Baking Company in the East and parts of the Midwest, and Eddy Bakeries Company in the northern Mountain States region. Each of these divisions manufactures and sells a complete baked goods, including bread, rolls, cakes, pies, sweet goods, cookies, doughnuts and miscellaneous bakery products. In addition, the Van de Kamp's division processes and sells frozen food specialty items and operates coffee shops and restaurants. The major brand names for the Company's bakery products are "Van de Kamp's", "Bond" and "Eddy", each of which has good consumer acceptance in its respective marketing areas. The Company's Vernell's division manufactures and sells candy and crackers under the names "Vernell's" and "Hol-grain Wafer-ets" in the Los Angeles and Seattle areas and, through a brokerage system, throughout other parts of the country.

Van de Kamp's bakery products are sold primarily in the Los Angeles and Seattle areas, the Los Angeles market being considerably the larger. Its processed and frozen convenience food lines are distributed in a larger marketing area, including Southern California and parts of Arizona and Nevada. Van de Kamp's 14 coffee shops and restaurants are located in the Los Angeles area. Additional coffee shops are expected to be opened in 1969. The Bond marketing areas are in the Middle Atlantic States from Connecticut to Washington, D. C., North and South Carolina, and parts of Kanasa and Oklahoma. The New York and Philadelphia metropolitan areas are the two largest markets for Bond products. Eddy's marketing area includes North Dakota, Montana, Eastern Washington, Idaho, Utah and Wyoming.

The Company's products are sold both at wholesale and at retail. Bond products are principally sold at wholesale, with a portion sold through house to house retail delivery routes. The Van de Kamp's division distributes its products primarily through approximately 797 retail outlets, which are installations within supermarkets rather than separate stores. Of these three divisions, the Bond Baking Company division is the largest in terms of sales, having accounted for 59.8% of their combined sales in 1967. Van de Kamp's accounted for 29.2% of the 1967 sales of these three divisions and the Eddy Bakeries Company division accounted for 11.0%. Each of these divisions was profitable in 1967, but their respective contributions to net income were not proportionate to sales. It is estimated that the Bond Baking Company Division proportionately contributed less to net income than it did to sales and that the other two divisions proportionately contributed more to net income than they did to sales

During 1967 sales of bread and rolls accounted for approximately 55% of the total sales of the Company's food production and processing divisions, and sales of cakes, cookies, frozen convenience foods, restaurant sales and miscellaneous and specialty items constituted approximately 45%. There is no significant seasonal variation in the sales volume of these divisions.

The principal ingredients purchased are flour, sugar, yeast, milk and shortening. Of these, flour is the most important, and flour purchases constitute approximately 51% of the value of all ingredients purchased by these divisions. Flour prices are volatile. The Company obtains its supplies from a variety of sources depending upon prices offered by the suppliers.

These divisions employ approximately 8,800 people, of whom approximately 86% are represented by various unions. Collective bargaining agreements covering approximately 75% of unionized employees are negotiated on a regional basis jointly with other bakeries operating in the regional area. Wage increases and other employee benefits granted in collective bargaining have been comparable to those granted by other major companies in the bakery industry. Relations with labor unions are generally satisfactory.

The Company's food business is highly competitive. While the Company is one of the larger companies in the baking industry, in each marketing area it competes with many local bakeries in addition to other major companies. In addition, severe price competition is encountered from sales of "house brand" bakery products by major supermarket chains.

The food production and processing divisions operate 34 plants located in 12 states and the District of Columbia, most of which produce a complete line of bakery products, although a few specialized plants produce only cakes and sweet goods or doughnuts. All plants are maintained in good operating condition. The larger plants are equipped with modern automated ovens and machinery.

A new frozen convenience food production plant with warehousing facilities is under construction or the Van de Kamp's division.

Three plants are leased, and one that is owned is located on leased land. The Company owns the land and buildings comprising the other plants and, with minor exceptions, all of the machinery and equipment in its plants. The Company owns approximately 3,050 motor vehicles of all types and leases an additional 450.

Overall, the Company's food production and processing capacity is adequate for its present needs, and upon completion of new facilities and modernization and automation of existing facilities it is anticipated that capacity will be adequate for the Company's foreseeable needs. Utilization of plants varies from day to day in each location, and the productive capacity of each plant is variable depending on the mix of products baked each day. Overall, the Company's bakeries operated at an estimated 65%-70% of normal capacity during each of 1966 and 1967; although 1967 production was greater, capacity in 1967 was also greater. In addition to normal capacity, emergency capacity is available through the use of overtime and 7-day weeks. Bakery products generally have a very short shelf life. Since most products not sold on the day for which they were baked are returned to the Company, daily control of production to coincide with the following day's demand is of great importance in achieving adequate profit margins. Some of the cost of returned goods is recovered by selling these products as stale and at reduced prices, and by using them to produce bread crumbs.

Major food production and processing operations are located at the following sites:

BOND

Bakeries

Albany, New York

Buffalo, New York

Enid, Oklahoma

Hartford, Connecticut

Hutchinson, Kansas

New York, New York(2)

Oklahoma City, Oklahoma

Orianoma City, Octanoma

Philadelphia, Pennsylvania(3)

Rochester, New York

Spartanburg, South Carolina

Syracuse, New York

Washington, D. C.

Wichita, Kansas

VERNELL'S

Seattle, Washington

Candy Plant

Hol-Grain Plant

VAN DE KAMP'S

Southern California

Bakery

Retail Bakery Outlets (648)

Frozen Food Plant

Coffee Shops and Restaurants (14)

Seattle, Washington

Bakery

Retail Bakery Outlets (149)

EDDY

Bakeries

Billings, Montana

Bismarck, North Dakota

Boise, Idaho(2)

Butte, Montana

Grand Forks, North Dakota

Great Falls, Montana

Havre, Montana

Helena, Montana

Missoula, Montana

Missoula, Montalia

Ogden, Utah

Pocatello, Idaho

Yakima, Washington

# Convenience Store Operations

The Company's Li'l General Stores Division operates convenience stores, most of which are located in the Southern and Southeastern United States. On December 13, 1968, the Li'l General Division

had in operation a total of 380 convenience stores, including 23 stores operated by franchisees, located in the following States:

State	Convenience Stores
Florida	236
North Carolina	400.40
Louisiana	
Minnesota	
Alabama	
Pennsylvania	9
Mississippi	

The Li'l General convenience stores are small, self-service markets primarily handling rapid turnover items needed by housewives between major trips to supermarkets. Principal sales include cold beverages, dairy products and bread. In addition to foods, the stores sell drug and household items, and rent household equipment, such as floor polishers. The Li'l General stores are located in geographically separate areas, each served by a division office. Individual stores are located conveniently to dense residential areas and on routes of homeward-bound traffic. The stores are open 365 days a year from at least 7:00 A.M. until 11:00 P.M. Some stores are open for longer hours. Convenience store prices are higher than those of supermarkets.

A high degree of control is retained by the Company over the operations of the 23 franchised Li'l General Stores, all of which are located in Minnesota, Pennsylvania and North Carolina. Results from franchising operations have been favorable.

The Li'l General Division does no warehousing, but buys from wholesalers in its areas of operation. Accounting, purchasing, merchandising and advertising are under central control and are accomplished at the Li'l General Division headquarters in Tampa, Florida.

The Li'l General Division also operates 24 drive-in dairy stores in Florida and, through subsidiaries, is engaged in wholesale produce distribution on the west coast of Florida.

The Li'l General Division and the Company's subsidiaries operated as part of the Li'l General Division employ approximately 1,300 persons.

The convenience store industry includes several chains larger than the Li'l General Division. These and smaller chains are highly competitive with Li'l General. In addition, major supermarkets and small food stores compete with the business of Li'l General. In the areas of its principal operations, the Li'l General Division is one of the chief operators of convenience stores.

The Company owns trademarks for the name "Li'l General" and its Li'l General design; "Lady Anne", in conjunction with certain of Li'l General bread products; "Golden Krust", for use in conjunction with certain other Li'l General bread products; and "Farm-N-Town", for use in promotion of Li'l General dairy stores.

It has been the policy to lease Li'l General stores. While the Company owns Li'l General's building and attached store, other real estate is purchased only to facilitate the acquisition of locations on which to build stores which will ultimately be sold to others and leased back by the Company. Leases are generally for fifteen years, and most contain renewal options for five or ten years. Most leases are for fixed rentals, but, in some leases, the fixed rental is increased if gross sales in the particular store exceed a pre-established amount. Total lease payments for the year ending October 28, 1967, aggregated \$1,815,560.

In the aggregate, the buildings, fixtures, equipment and inventory of Li'l General, either owned or leased, are considered in good condition.

## Tourism Operations

Yellowstone Park Company ("Yellowstone") operates hotels, inns, lodges, restaurants and other facilities in Yellowstone National Park, Wyoming, the oldest and largest of America's national parks. Its remarkable within the Park also include the providing of limousine and bus transportation, operation of gut shops, riding stables, fishing and boating facilities and gasoline service stations under a joint venture agreement under which it receives 55% of the profits. Yellowstone's facilities include overnight commodations of various types for a maximum of 8,777 people and restaurants with a total seating capacity of 2,867 persons. Yellowstone's business is highly seasonal since most persons visit the Park during the period from June through September. In 1967, 94.2% of Yellowstone's revenue was generated during that four-month period. The occupancy rate for overnight accommodations from mid-June through Labor Day was approximately 80%. Employees total 2,500 during the summer months but are reduced to fewer than 100 during the winter. Competition in Yellowstone's immediate operating area is limited since it has a preferential right to provide accommodations and services within the Park area. Another concessioner has food service operations in certain locations in the Park and competition is provided from hotels, inns, and lodges located in the vicinity of the Park. Gross sales and operating revenues for the fiscal year ending December 30, 1967 were \$6,387,000, and for the forty weeks ending October 5, 1968, amounted to \$6,693,000.

Everglades Park Co., Inc. ("Everglades") operates facilities in Everglades National Park in Florida, America's third largest national park. Its operations include overnight accommodations, food and beverage accitates, boat and boating equipment sales and rentals, a gasoline service station, trailer park facilities, and the sale of general merchandise including sports equipment, photographic supplies, drugs, books and similar items. Everglades overnight accommodations in the Park have a maximum capacity of 600 persons and its restaurant facilities have a maximum seating capacity for 265 persons. While Everglades operates throughout the year, its peak season is normally during the four-month period from late December through mid-April, which accounted for over 50% of gross revenues in fiscal 1967. The occupancy rate for overnight accommodations during that peak season was over 90%. Everglades is the only concessioner operating within the Everglades National Park; however, competition exists from the many resort areas of southern Florida. Gross sales and operating revenues for the year ending December 30, 1967 were \$1,198,000, and for the forty weeks ending October 5, 1968 amounted to \$1,187,000.

Yellowstone and Everglades both operate through concession contracts with the United States Department of the Interior, National Park Service, under which all rates and prices charged to the public are subject to Government regulation and approval. Yellowstone operates under a thirty year contract which expires September 30, 1996 and requires Yellowstone to have expended no less than \$10,000,000 by June 1975 in construction and renovation of facilities, of which \$3,400,000 has already been expended. If such expenditures are not made, the contract may be terminated on September 30, 1975. Similar expenditures are required during the second ten year period of the contract. Yellowstone must pay a franchise fee to the government equal to 1½% of its gross recipts under this contract. Everglades' contract expires on December 31, 1975 and obligates it to pay the government a fixed fee of \$3,700 per year for use of government-owned structures plus a franchise fee of 1½% of gross revenues.

The Company's Frontier West Division consists of land owned at five locations in Arizona, New Mexico and Colorado, acquired for development as a tourism project. Construction is substantially completed at one site on U. S. Highway 66 near Houck, Arizona. Completed facilities at this location include a replica of a frontier fortress, a gasoline station, a restaurant and an Indian trading post and general store. A trailer park is planned for completion during the 1969 season. Similar types of facilities are contemplated for three other locations. Frontier West also operates the Summit House Restaurant at Sandia Peak, New Mexico.

## Investment in Armour

On January 28, 1969 the Company owned a total of 1,002,500 shares of Common Stock of Armour, approximately 16.5% of Armour's outstanding common stock for which it paid an aggregate of \$59,232,000 in cash plus a 10-year warrant for 175,000 shares of the Company's Common Stock which is now exercisable for 184,146 shares at \$28.51 per share. See "Recent History". Armour has described itself in a Registration Statement filed with the Securities and Exchange Commission

which became affective on May 3, 1968, as "the second largest meat packer in the United States and among the leaders in the field of household soaps, fatty chemicals, hydraulic turbines, governors and valves, ship propellers, electronic force measurement equipment and desalination systems." For a description of Armour see Annex A.

Principal Shareholders

On December 16, 1968 the only voting securities of the Company owned of record or beneficially by any person who owned of record, or was known by the Company to own beneficially, more than 10% of any class of such securities, were 437,700 shares of Common Stock of the Company held both of record and beneficially by The Goldfield Corporation, 720 Fifth Avenue, New York, which was 17% of the total number of shares of Common Stock outstanding.

On December 16, 1968 all officers and directors of the Company as a group beneficially owned, directly or indirectly, 13,640 shares of Common Stock of the Company, .53% of the total number of shares of the Company's Common Stock outstanding, and \$1,500,000 principal amount of the Company's 5% Convertible Subordinate Notes.

Five of the Company's ten directors are directors of Goldfield and a sixth is an officer of Goldfield.

Mr. Pistell is Chairman of the Board of the Company and Chairman of the Board and President of Goldfield. By virtue of this representation on the Company's board and Goldfield's ownership of the Company's stock, Goldfield may be deemed a parent of the Company. The Company's directors as a group, and Mr. Pistell, by virtue of his positions as Chairman of the Board and Chief Executive Officer of both the Company and Goldfield, may also be considered parents of the Company.

Comparative Operational Results

In 1967 the Company's tourism operations and convenience store operations contributed proportionately somewhat more to profits than to sales, while food production and processing operations contributed proportionately somewhat less to profits than to sales.

Pending Litigation

On May 21, 1965, a suit was filed in the United States District Court for the Southern District of New York, entitled Anthony Ferraioli, Plaintiff, v. Hyman B. Cantor, HY C Corp., Denison Mines Ltd., Goldfield Corp. and General Baking Company, Defendants. Plaintiff seeks to bring this action on behalf of himself and all other persons similarly situated alleging that the sale of General Host Corporation stock by Denison Mines Limited involved a violation of Section 10 of the Securities Exchange Act of 1934 and Rule 10b-5 of the Rules and Regulations thereunder in that plaintiff and others sold the Company's stock at prices of approximately \$9.00 per share without knowledge that Denison Mines Limited was negotiating to sell its shares at a price of \$12.50 per share. Plaintiff seeks to recover from the defendants other than the Company in excess of \$2,000,000 representing the difference between the alleged market price and the amount paid by Goldfield to Denison Mines Limited. The suit is in the pre-trial motion and discovery stage.

Also on May 21, 1965 an action was instituted in the Supreme Court of the State of New York, New York County, entitled Vincent Ferraioli, Plaintiff, v. Hyman B. Cantor, HY C Corp., Denison Mines Ltd., Goldfield and General Baking Company, Defendants. This plaintiff seeks the same recovery as in the above mentioned suit in the United States District Court, with the distinction, however, that he asserts one cause of action on behalf of and for the benefit of the Company. In this suit, plaintiff has been unable to sustain jurisdiction over Denison Mines Limited and the case has been dormant for over a year and a half.

Both of these actions have been dismissed as against defendants Hyman B. Cantor and HY C Corp. without contest by the plaintiffs. A compromise of the above two actions involving the remaining defendants is presently being arranged subject to approval of the courts. It is expected that the obligations of the Company under the terms of the compromise arrangement will be nominal.

On or about October 13, 1966 an action was commenced in the Supreme Court of the State of New York. County of New York, entitled, Vincent Ferraioli, Plaintiff, against Richard C. Pistell, P. Richard Clark, C. Whitcomb Alden, Ir., Harris J. Ashton, Joseph P. Binns, John P. Dahl, William P. Howe, Ir., J. Elroy McCaw, Edwin C. McDonald, Leslie W. Scott The Goldfield Corporation and

General Raking Company, Defendants. Plaintiff seeks to bring this action as a derivative action as a standard of the Company. The action seeks to set aside the sale by Goldfield to the Company of all of the outstanding capital stock of Yellowstone Park Company, and Everglades Park Co., Inc., and the Frontier West locations and to have the purchase price received by Goldfield returned to the Company. Santiff also seeks as accounting for alleged damages suffered by the Company and for alleged profits state by the defendants other than the Company as a result of such purchase. In the opinion of Messrs. Rogers, Hoge & Hills, New York, N. Y., special counsel to the Company, this litigation should have material adverse financial effect upon the Company.

On March 13, 1968 actions were filed by the United States in the United States District Court for the Eastern District of Pennsylvania charging the Company and two of its employees, together with other baking companies and individuals, with civil and criminal violations of the Sherman Antitrust Act by having allegedly set bread prices in the Philadelphia market. The Company and its employees have asked leave of the court to enter pleas of nolo contendere which, if accepted, could result in fines being imposed and the Company being ordered to cease the activities complained of. It is possible that private plaintiffs may bring actions against the Company for treble damages allegedly incurred by reason of the charged violations. One such private law suit, a class action, was connenced on April 3, 1968 in the United States District Court for the Eastern District of Pennsylvania by the City of Philadelphia in the School District of Philadelphia. No specific dollar amount in damages is asserted in that action. After consultation with counsel, management believes that the probable outcome of this litigation will not have a materially adverse financial effect upon the Company.

For a description of litigation concerning the Exchange Offer, see pages 8 and 9 of this Prospectus.

Description of Common Stock

The Company's common stock, \$1.00 par value per share, is its only outstanding class of stock. The holders of common stock are entitled to share in the profits, if any, of the Company by way of dividends when, as and if declared by the Board of Directors. Upon liquidation the holders of the common stock will be entitled to receive pro rata according to the number of shares owned the net assets of the Company available for distribution to the shareholders. All of the presently outstanding common stock is fully paid and non assessable. The holders of the Company's common stock have no pre-emptive, subscription or conversion rights. The Company also has authorized 1,000,000 shares of Preferred Stock, \$1.00 par value per share, issuable in series with terms, dividend rates and liquidating preferences to be set by the Directors. No such Preferred Stock is outstanding.

Non-Cumulative Voting

The holders of the common stock have full voting power for all purposes and are entitled to one vote per share. They do not have cumulative voting rights in the election of directors, which means that the holders of more than 50% of the common stock may, if they choose to do so, elect all of the directors and the holders of the remaining shares could not, in that event, elect any directors.

Dividends

The payment of dividends will depend upon earnings and capital requirements of General, general business conditions and other factors; there are no present plans to pay cash dividends. The payment of dividends on the common stock is restricted by the provisions contained in the Company's Loan Agreement relating to its 5½% Notes payable to insurance companies, the Indenture relating to its 6% Cumulative Income Subordinated Debentures, and its twenty million dollar Loan Agreement with three banks. As of October 5, 1968, approximately \$3,503,000 of retained earnings was available for dividends. See Note 5 to the Company's consolidated financial statements elsewhere herein.

Markets

The Company's common stock is listed for trading upon the New York and Pacific Coast stock exchanges.

Transfer Agents and Registrars

The Transfer Agents for the Company's common stock are Marine Midland Grace Trust Company of New York, New York, N. Y., and Union Bank, Los Angeles, California, and the Registrars therefor are the Bankers Trust Company, New York, N. Y. and United California Bank, Los Angeles, California.

The directors and executive officers of General are:

Name	Office
Richard C. Pistell	Chairman of the Board of Directors and Chairman of the Executive Committee
Harris J. Ashton	Director, President and member of the Executive Committee
C. Whitcomb Alden, Jr	Director—Financial consultant and private investor, Asheville, North Carolina
Joseph P. Binns	Director—Associated with Loeb, Rhoades & Co., New York, N. Y.
William F. Downey	Director, Secretary and member of the Executive Committee
Weston E. Hamilton	Director—Senior Vice President Zion's First National Bank, Salt Lake City, Utah
William P. Howe, Jr	Director—President, Howe Nurseries, Inc., Pennington, New Jersey
J. Elroy McCaw	Director—President, Metropolitan Radio Corporation, President KTVW, Inc., Seattle, Wash.
Edwin C. McDonald	Director—Chairman of the Board, Royal Bank of Canada Trust Company, New York, N. Y.
Leslie W. Scott	Director—President, Fred Harvey, Chicago, Ill.
M. Frank Cummings	Vice President—Operations
John M. Kingsley, Jr	Vice President-Finance and Treasurer
Delbert O. Fuller, Jr	Vice President—Marketing
Timothy T. Day	Vice President—Acquisitions
John P. Glynn	Controller

Mr. Pistell has been Chairman of the Board of General since May, 1965. He is Chairman of the Board and President of Goldfield and, in addition, acts as a financial consultant to other companies. He was Chairman of the Board of Pistell, Inc., an investment banking concern, and its predecessor companies from 1959 to 1963.

Mr. Ashton has been President of General since December 6, 1967, and a Director since May 1965. He is a member of the law firm of Lovejoy, Wasson, Lundgren & Ashton of New York City, counsel for the Company, with which he has been associated since 1962, but does not participate in fees paid to Lovejoy, Wasson, Lundgren & Ashton by General.

Mr. Cummings has been Vice President of General since January, 1966, and became Vice President —Operations in September, 1968. Previously he was with General Foods Corporation for thirty-one years, in various capacities, most recently as Assistant Corporate Controller.

Mr. Kingsley has been Vice President and Treasurer of General since January, 1966, and because Vice President—Finance in September, 1968. He was with Price Waterhouse & Co. from December, 1957 to May, 1962, and thereafter Dillon, Read & Co. Inc.

Mr. Fuller has been Vice President—Marketing since July, 1966. During 1962 and 1963 he was with the Curtis Publishing Company. From November, 1963, to September, 1964, he was with C. J. LaRoche & Co., and thereafter he was Vice President of Dancer-Fitzgerald-Sample, Inc.

Mr. Downey has been a Director of General since February, 1968, and Secretary of General since December, 1967. He is also Secretary of Goldfield. He is a partner in the law firm of Lovejoy, Wr. son. Lundgren & Ashton, with which he has been associated since January, 1964. Previously, from September, 1959, he was with Morgan Guaranty Trust Company of New York.

Mr. Day has been Vice President—Acquisitions since July 1, 1968. Prior to that date he was Controller for the eastern region of the sales and service division of Trans World Airlines, Inc. where he had been employed since graduating from the Harvard Business School in June, 1964.

Mr. Glynn joined General on September 24, 1968. He was associated with the accounting firm of Price Waterhouse & Co. for more than five years prior to such date.

Messrs. Pistell, Ashton, Alden, Howe, and McCaw are also Directors of Goldfield.

#### Remuneration

The following information is furnished as to all direct remuneration paid by the Company and its subsidiaries during the fiscal year 1968 eo each director of the Company whose aggregate direct remuneration exceeded \$30,000, to each of the three highest paid officers whose aggregate direct remuneration exceeded that amount, and to all directors and officers as a group, for services in all capacities; and the total annual benefits proposed to be paid upon retirement under the Retirement Annuity Plan to such directors and officers.

Name of individual or number of persons to group	Capacities : which remuneration	Aggregate direct remuneration	Estimated Annual benefits upon retirement
Richard C. Pistell	Chairman of the Board, Director and Chairman of the Executive Committee	\$ 75,000	\$ 49,838
Harris J. Ashton	President, Director and member of the Executive Committee	\$ 80,000	\$ 57,083
M. Frank Cummings	Vice President and Controller; and Vice President—Opera- tions	\$ 36,635	\$ 9,161
18 Directors and Officers as a group including those named above	As Directors and Officers	\$364,192	\$153,444

The estimated annual retirement benefits shown in the table are payable beginning at normal retirement date and are based upon the assumptions that the prospective recipients will remain in the employ of the Company until age 65, that their future compensation will be the same as that currently paid, and that they will continue to contribute approximately 3% of their first \$6,600 of annual compensation and approximately 5% of annual compensation in excess of \$6,600. Directors, as such, do not participate in the Plan.

Commencing January 1, 1969, Messrs. Pistell and Ashton are each receiving salaries at an annual rate of \$100,000.

The Company has divisional incentive plans in effect at four of its divisions, providing for payments of annual bonuses to key employees, including managers and superintendents of the various plants. Bonuses are calculated either on a percentage of the annual operating profits before taxes of the respective units or on the increase in such operating profits over the prior year. The amounts so payable for 1968 have not yet been determined, but none will be payable to any officer or director. In 1967 incentive plans were in effect at two divisions under which bonuses of \$217,135 were paid, none of warms was paid to any officer or director.

The law firm of Lovejoy, Wasson, Lundgren & Ashton, of which Messrs. Harris J. Ashton, President, a member of the Executive Committee, a director, a stockholder and a holder of 5% Convertible Subordinate Notes of the Company, and William F. Downey, Secretary, a member of the Executive Committee, a director and a stockholder of the Company, are partners, received \$115,070 for services as General Counsel for the Company for the year 1967. Mr. Ashton became President of the Company on

December 6, 1967 and thereafter has devoted substantially all of his time to that position. He received no direct remuneration from the Company for his services as President during 1967, but during 1968 he was compensated directly by the Company and did not share in fees charged to the Company by Longoy, Wasson, Lundgren & Ashton. Legal fees paid to Lovejoy, Wasson, Lundgren & Ashton for the Cost nine months of 1968 were \$155,558.

## Stock Options

The Company has in effect a key employee stock option plan called the 1964 Stock Option Plan (the "Plan") under which options have been and may hereafter be granted that are qualified stock options as defined in Section 422 of the Internal Revenue Code, as amended. The Plan was amended in 1966 and further amendments were adopted by the Board of Directors in November, 1968, but not as yet submitted for the necessary shareholder approval. A total of 400,000 shares of Common Stock have been reserved from time to time for issuance upon exercise of options granted or to be granted under the Plan. Option exercise prices may not be less than the fair market value of the shares at the time the option is granted. No individual may purchase more than 80,000 shares pursuant to options granted under the Plan. Options are valid for a period of five years from the date of grant and are not transferable except upon death by will or the laws of descent. An optionee may not exercise an option unless he has been in the employ of the Company or a subsidiary for at least one year. If the shares acquired upon exercise of a qualified stock option are held for at least three years after exercise, the optionee will have realized no taxable income upon exercise of his option, and upon the sale of such shares he will realize a long-term capital gain.

At December 16, 1968, 155,900 shares of Common Stock were subject to options granted to employees. The range of exercise prices was from \$8.1875 to \$40.0625 per share, and these options expire at various dates from July 23, 1970 to December 4, 1973.

As of December 16, 1968 officers and directors held stock options as follows:

Name	Number of	Option	Expiration
	Shares	Price	Date
Richard C. Pistell	20,000	\$ 8.1875	7/23/70
	20,000	17.9375	8/19/71
Harris J. Ashton	30,000	31.75	2/14/73
	10,000*	40.0625	12/ 4/73
M. Frank Cummings	3,000	19.625	4/14/71
	3,500	32.875	10/10/73
All Officers and Directors as a group (including those listed above)	97,000	8.1875- 40.0625	7/23/70- 12/ 4/73

This option may not be exercised until the recent amendments to the Plan have been approved by shareholders.

As of December 16, 1968 the 155,900 shares subject to outstanding stock options represented 6.1% of the Company's outstanding shares. Of the total shares under option officers and directors held options for 97,000 shares representing 3.8% of the shares outstanding.

# DESCRIPTION OF WARRANTS

The statements under this caption relating to the Warrants, a specimen of which is on file with the Securities and Exchange Commission, are summaries and do not purport to be complete. The terms of the Warrants are incorporated herein by reference and the summaries are qualified in their entirety thereby.

The Warrants will be issuable in registered form to purchase the number of shares of General Common Stock set forth thereon at an exercise price of \$40 per share. The exercise price of the Warrants may be reduced from time to time at the discretion of General's bound of directors for limited periods (of not less than twenty-one days) by an amount not in excess of  $33\frac{1}{3}\%$  of the exercise price then in effect as an inducement for exercise of the Warrants when deemed appropriate for the Company to obtain the cash proceeds resulting therefrom. (The purpose of this provision is to benefit General and its equity holders by making it possible to induce Warrant holders to exercise their Warrants when this appears to the Directors the most economical or otherwise desirable way to raise new equity capital, if it should be considered necessary or desirable to raise new equity capital.)

The number of shares of Common Stock issuable upon exercise of the Warrants will be subject to add ament in case of a split, reverse split or other reclassification of the Common Stock; or if rights or warrants are issued to all holders of Common Stock entitling them to purchase shares of Common Stock at a price per share less than the then current market price; or if any other securities including General Common Stock issued as a dividend or assert (other than cash payable out of consolidated earnings or earned surplus) are distributed to all holders of Common Stock. No adjustment is required if General otherwise issues, in exchange for cash, property or services, shares of Common Stock or any security carrying rights to acquire Common Stock. Upon exercise, no adjustment for dividends will be made.

If General consolidates with or merges into or sells its assets to another corporation, and General is not the continuing corporation in such consolidation, merger or sale of assets, a holder of a Warrant will be entitled to receive, upon the exercise thereof, the securities or property to which a holder of a number of shares of Common Stock then deliverable upon the exercise of such Warrant would have been entitled to receive upon such consolidation or merger.

Fractional shares of Common Stock will not be issued upon exercise of Warrants, but General will, in lieu thereof, either make a payment in cash based on the exercise price of the Common Stock purchasable upon the exercise of the Warrants, or issue scrip certificates (of such duration as determined by the Board of Directors) evidencing such fractional interest, which certificates may be combined and examined for shares of Common Stock of General.

Warrants will be exercisable upon presentation and surrender thereof together with the Subscription Form thereon duly executed at any time on or before January 31, 1979, at the corporate trust office of Franklin National Bank or Union Bank (the "Agents"), and upon payment of the exercise price. Warrants may be divided and the transfer thereof may be registered at the corporate trust office of the Agents. The right to subscribe to all or less than all of the shares covered by any Warrant may be transferred. Until a Warrant is exercised, the holder will not be entitled to any of the rights of a shareholder of General.

A certificate in bearer form for one-half of a Warrant will be issued to each Armour stockholder who tenders an odd number of shares of Armour stock. These half-Warrants will be exercisable only in pairs, but will otherwise have the same terms and conditions as full Warrants.

General has applied for listing of the Warrants on the American Stock Exchange and on the Pacific Coast Stock Exchange.

### DESCRIPTION OF DEBENTURES

Set forth below is a description of the basic terms of the 7% Subordinated Debentures due February 1, 1994 ("Debentures"). The statements under this caption relating to the Debentures and the Indenture between the Company and Franklin National Bank dated as of January 22, 1969 ("Indenture"), copies of which are on file with the Securities and Exchange Commission, are summaries and do not purport to be complete. The provisions of the Indenture and the Debentures are incorporated herein by reference and the summaries are qualified in their entirety thereby.

Form. The Debentures will be issuable as registered Debentures without coupons in denominations of \$60 and multiples of \$60, denominations of \$100 and multiples of \$100, and denominations of \$1,000, \$10,000 and such other denominations as the Company may determine.

Maturity and Interest. The Debentures will mature on February 1, 1994 and will bear interest at the rate of 7% per year from March 1, 1969, payable semi-annually on August 1 and February 1 of each year, commencing August 1, 1979. Interest on the Debentures will be payable to the persons in whose names the Debentures are registered at the close of business on the preceding July 15 or January 15. The Debentures are payable both as to principal and interest at an office or agency maintained by the Company in the Borough of Manhattan, New York, New York, and are direct unsecured obligations of the Company.

Optional Redemption. The Debentures will not be redeemable prior to February 1, 1974, and thereafter will be redeemable at the option of the Company, as a whole or from time to time in part, upon not

than 30 days notice, at the redemption prices set forth below (expressed in percentages of the printered amount) together in each case with accrued interest to the redemption date du. \_\_\_ the 12-month period beginning on February 1 of each of the following ye

Year	Redemption Price	Year	Redemption Price
1974	105 %	1983	1021/4%
1975	1045%%	1984	102 %
1976	1041/4%	1985	1013/4%
1977	103%%	1986	1011/2%
1978	1031/2%	1987	1011/4%
1)79	1031/4%	1988	101 %
1980	103 %	1989	10034%
1981	10234%	1990	1001/29
1982	1021/2%	1991	1001/4%

and thereafter at 100%.

The Indenture does not, however, preclude the Company from retiring Debentures through open market or negotiated transactions.

Subordination. The indebtedness evidenced by the Debentures (including principal, premium, if any, and interest) is subordinated in right of payment to all present or future Senior Indebtedness. "Senior Indebtedness" is defined to mean (a) indebtedness of the Company for money borrowed, (b) indebtedness incurred by the Company in the acquisition of any business, real property or other assets (except assets acquired in the ordinary course of the conduct of its usual business), (c) guarantees of indebtedness of subsidiaries at least 25% owned for borrowed money, and (d) renewals, extensions and refundings of such indebtedness; unless in any case it is provided that the particular indebtedness, renewal, extension or refunding is not superior in right of payment to the Debentures. Senior Indebtedness excludes indebtedness represented by the Company's 6% Cumulative Income Subordinated Debentures due December 1, 1990, and 5% Convertible Subordinate Notes due June 15, 1988.

In the event of any dissolution, winding up, total liquidation or reorganization of the Company (whether in bankruptcy, insolvency or receivership proceedings, or upon an assignment for the benefit of creditors, or any other marshalling of assets of the Company or otherwise) all Senior Indebtedness will be paid, or provision made therefor in cash, before any payment is made on the Debentures. During the continuance of any default of which the Company and the Trustee shall have written notice on any Senior Indebtedness, the effect of which is to permit the holder of any such Senior Indebtedness to demand payment of the total amount of such Senior Indebtedness, no payment of principal of, premium, if any, or interest will be made on the Debentures. By reason of such subordination in the event of insolvency, creditors of the Company who are not holders of Senior Indebtedness or of the Debentures may recover less, ratably, than holders of Senior Indebtedness but may recover more, ratably, than holders of the Debentures.

Modification and Amendment. The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than 66% in principal amount of the Debentures at the time outstanding, to modify the Indenture or any supplemental indenture or the rights of the holders of the Debentures; provided that no such modification may (i) extend the fixed maturity of any Debentures, or reduce the principal amount thereof, or reduce the rate or extend the time for payment of interest thereon, or reduce any premium payable on redemption thereof without the consent of the holder of each Debenture so affected, or (ii) reduce the aforesaid percentage of Debentures, the consent of the holders of which is required for any such modification, without the consent of the holders of all Debentures then outstanding.

Events of Default. An "Event of Default" is defined to mean: failure to pay principal and premium, if any, when due, either at maturity, upon redemption or otherwise; failure to pay interest when due for

30 days: failure to perform any other covenant in the Indenture for 60 days after notice; certain events of bath properties of the Company of any subsidiary; and any default on any Funded what of the Company of any subsidiary, if such default is not waived or cured and would permit application of such Funded Debt. The Indenture provides that the Trustee shall, within 90 days after the occurrence of a default, give to the holders of Debentures notice of all uncured defaults known to it the term default to include the events specified above without grace periods); provided that, except in the case of default in payment of principal, premium or interest in respect of the Debentures, the Trustee shall be protected in withholding such notice if it in good faith determines that the withholding of such notice is in the interest of the Debentureholders.

The Company will be required to furnish to the Trustee within 120 day. Iter the close of each fiscal year a statement of certain officers of the Company to the effect that a recovery of the activities of the Company has been made with a view to determining whether its obligations under the Indenture have been complied with and as to whether such officers have obtained knowledge of any default under the Indenture during such fiscal year.

Rights on Default. The Trustee or the holders of 25% of the Debentures will be authorized to decare the principal of all Debentures due and payable upon the happening of any Event of Default specified in the Indenture, but the holders of a majority of the Debentures are authorized to waive any default, other than a default in payment of principal, interest or premium, and rescind such declaration if the default is cured. Subject to the provisions of the Indenture relating to the duties of the Trustee, the Trustee is under no obligation to exercise any of its rights or powers under the Indenture at the request, order or direction of any of the Debentureholders, unless such Debentureholders have offered to the Trustee reasonable indemnity. Subject to such provision for indemnification, the holders of a majority in principal amount of the Debentures at the time outstanding have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee.

Aggregate Principal Amount. There will be no limit as to the aggregate principal amount of Debentures to be issued from time to time under the Indenture. The Company may issue Debentures for purposes other than the Exchange Offer. Holders of all Debentures issued under the Indenture will be included in the same class for the purpose of ascertaining all rights and obligations arising under the Indenture.

Exchange Listing. The Company has applied for listing of the Debentures on the New York Stock Exchange and on the Pacific Coast Stock Exchange.

#### LEGAL OPINIONS

Legal matters in connection with the Debentures and Warrants offered hereby are being passed upon for the Company by Messrs. Lovejoy, Wasson, Lundgren & Ashton, 250 Park Avenue, New York, N. Y. 10017, and for the Dealer Managers by Messrs. Holtzmann, Wise & Shepard, 30 Broad Street, New York, N. Y. 10004 and Goldfeld, Charak, Tolins & Lowenfels, 711 Fifth Avenue, New York, New York 10022.

#### EXPERTS

The consolidated financial statements of General Host Corporation included in this Prospectus and the schedules included in or incorporated by reference in the Registration Statement have been so included or incorporated by the Company in reliance upon and to the extent set forth in the opinions of Price Waterhouse & Co., independent accountants, and Bogue, Compton & Vass, independent accountants, and on the authority of said firms as experts in auditing and accounting.

### OPINIONS OF INDEPENDENT ACCOUNTANTS

To the Directors and Stockholders of General Host Corporation

In our opinion, based on our examination and the reports mentioned below of other independent accountants, the accompanying consolidated balance sheet and related consolidated statement of retained earnings, together with the consolidated statement of income appearing elsewhere herein, present fairly the financial position of General Host Corporation and its subsidiaries at December 30, 1967 and the results of their operations for the five fiscal years then ended, in conformity with generally accepted accounting principles. These principles were consistently applied, except for the change, which we approve, in the method of computing depreciation described in Note 8 to the consolidated financial statements. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Li'l General Stores, Inc. for the four fiscal years ended October 29, 1966, which statements were examined by other independent accountants whose reports thereon have been furnished to us.

PRICE WATERHOUSE & CO.

New York, N. Y. February 9, 1968

(Except as to the merger referred to in Note 1 for which the date is July 19, 1968 and Note 11 for which the date is September 9, 1968)

To the Board of Directors of Li'l General Stores, Inc.

We have examined the consolidated balance sheet of Li'l General Stores, Inc. and its subsidiaries as of October 29, 1966 and the related consolidated statements of income and retained earnings for the four years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements (not presented separately herein) present fairly the consolidated financial position of Li'l General Stores, Inc. and its subsidiaries at October 29, 1966 and the results of their operations for the four years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

BOGUE, COMPTON & VASS

Tampa, Florida December 8, 1966

# GENERAL HOST CORPORATION AND SUBSIDIARY COMPANIES

# CONSOLIDATED BALANCE SHEET

### ASSETS

	December 30, 1967	October 5, 1968
Current Assets		(unaudited)
Cash Short-term and other marketable securities, at cost which approximates market Receivables, less allowance for doubtful accounts of \$172,000 and \$219,000, respectively Inventories, at the lower of average cost or market (Note 4) Prepaid expenses	\$ 8,765,665 	\$ 7,278,576 4,170,845 11,217,449 8,072,616 956,211
Total current assets	27,033,862	31,695,697
Investments and Other Assets:  Investment in Uncle John's Restaurants, Inc., at cost (approximate quoted market value \$4,900,000) (Note 2)  Investment in Armour and Company, at cost (approximate quoted market value \$7,369,000) (Note 2)  Other investments and miscellaneous assets	3,156,625 — 1,566,614	9,450,000 1,193,33 <b>0</b>
Total investments and other assets	4,723,239	10,643,330
Property and Plant, at cost (Note 8)	(Spanisher or the state of the	And the second s
Land Buildings, Machinery and Equipment less accumulated depreciation of \$54,451,078	3,441,725	3,215,987
and \$56,335,177, respectively	36,468,770	37,922,775
Net property and plant	39,910,495	41,138,762
Goodwill (Note 1)	409,254	388,254
	\$72,076,850	\$83,866,043
LIABILITIES AND STOCKTOLDERS' EQUITY		
Current Liabilities: Accounts payable Accrued expenses Current portion of long-term debt (Note 5) Federal income taxes	\$ 7,742,408 3,801,753 2,076,536 812,280	\$ 7,046,473 3,369,056 2,559,960 998,146
Total current liabilities	14,432,977	13,973,635
Long-Term Debt: (Note 5)  Notes payable to insurance companies  Notes payable to banks  6% cumulative income subordinated debentures, due December 1, 1990  Other	9,400,000 3,500,000 9,284,500 2,619,470	9,400,000 9,650,000 9,284,500 2,232,743
Total long-term debt	24,803,970	30,567,243
Deferred Federal Income Taxes (Note 7)	758,763	970,916
Unamortized Excess of Equity in Net Assets of Subsidiary Companies over Cost (Note 1)	940,747	798,780
Commitments and Contingent Liabilities (Notes 10 and 11)  Stockholders' Equity:  Common stock, \$1.00 par value, authorized 5,000,000 shares, issued 2,346,072 and 2,557,872 shares, respectively (Note 6)  Capital in excess of par value (Note 6)  Retained earnings per accompanying statement (Note 5)	9,085,244 2,366,714 19,688,435 31,140,393	2,550,872 14,298,998 22,945,599 39,795,469
Less—Cost of 63,000 shares of common stock in treasury (Note 6)	age distribution - spine annual	2,240,000
Total Stockholders' Equity	31,140,393	<b>37</b> ,555,469
	\$72,076,850	\$83,866,043

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Fiscal Y	40 Weeks Ended October 5,		
	1965	1966	1967	(unaudited)
Retained earnings at beginning of period	\$17,621,445	\$14,548,411	\$17,154,324	\$19,688,435
Net income (loss) per consolidated statement of income	(2,414,919)(1)	2,712,327	2,713,924	3,182,096
Net income (loss) per consolidated statement	15,206,526	17,260,738	19,868,248	22,870,531
General Host Corporation:				
Cash dividends on preferred stock (\$4.50 per share)	(426,958)			
Cash payments on preferred stock	(231,157)			
Li'l General Stores, Inc.:  Cash dividends on common stock		(106,414)	(179,813)	(90,219)
Net income of Li'l General Stores, Inc. for the two men a ended December 31, 1967 (Note 1)		an congress of the depleton of the say		165,287
Retained earnings at end of period (Note 5)	\$14,548,411	\$17,154,324	\$19,688,435	\$22,945,599

<sup>(1)</sup> Restated to give effect to retroactive adjustment in 1967. See Note (d) to the consolidated statement of income and Note 3 to the consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 1-Basis of Consolidation

The consolidated financial statements include the accounts of the company and all of its subsidiaries. The company's equity in the net assets of the consolidated subsidiaries, as shown by their books, exceeded its investment therein at December 30, 1967 by \$1,719,842 of which \$779.095 is included in retained earnings and \$940,747 is included in unamortized excess of equity in net assets of subsidiary companies over cost in the consolidated financial statements. The comparable amounts at October 5, 1968 (unaudited) were \$2,573,754, \$1,774,974 and \$798,780, respectively.

On October 5, 1966 the company purchased from The Goldfield Corporation all of the issued and outstanding stock of Yellowstone Park Company and Everglades Park Co. Inc., and certain assets comprising the Frontier West project. The acquisition was treated as a purchase for accounting purposes and, accordingly, the results of their 1966 operations were included in the 1966 consolidated statement of income from the date of acquisition. The \$1,395,175 excess of the equity in net assets at the date of acquisition over the company's cost was recorded as a deferred credit in the balance sheet. Amortization of such excess in an amount equivalent to the loss of \$336,834 from the date of acquisition to December 31, 1966, was included in income for 1966 and the balance is being amortized over a period of nine years from January 1, 1967.

Ja many 1968 the company agreed to acquire all of the capital stock of Utah Parks Company in exchange for shall of the company's common stock. The number of shares to be issued will be based on the net asset value of Utah at the date of closing and is presently estimated to be 37,500 shares. The consummation of this transaction, is contingent upon Utah entering into a new concession contract with the National Park Service which is satisfactory to the company. Based on unaudited financial statements, the sales and net profit of Utah for the ten months ended October 31, 1968 were approximately \$1,772,000 and \$23,000, respectively.

On July 19, 1968 the company issued 661,279 shares of its common stock in exchange for all of the outstanding shares of Li'l General Stores, Inc. on the basis of nine-tenths of a share of General Host stock for each share of Li'l General stock. The transaction has been accounted for as a pooling of interests and, accordingly, the accounts of the two companies have been combined for all periods prior to the marger. The results of operations for the unaudited 40 week period ended October 5, 1968 includes the operations of Li'l General Stores, Inc. for the 40 weeks ended October 5, 1968 and the results of operations for the fiscal year ended December 30, 1967 includes the operations of Li'l General Stores, Inc. for the fiscal year ended October 28, 1967. Accordingly, Li'l General's net income of \$165,287 for the two months ended December 31, 1967 has been credited directly to retained earnings and has not been included in the consolidated statement of income.

Goodwill represents the excess of cost over net book value at dates of acquisition of subsidiaries of Li'l General Stores, Inc. and is being amortized over periods ranging from 15 to 18 years, representing the remaining composite life of the store leases acquired.

## NOTE 2-Investments

During 1966 and 1967 the company purchased 917,875 shares of the common stock of Uncle John's Restaurants, Inc., representing approximately a 41% interest. On August 26, 1968, the company sold its entire holdings and realized a gain of \$818,270, after related federal income tax of \$365,000. The company has guaranteed bank loans of Uncle John's up to a maximum of \$400,000.

On August 16 and October 15, 1968, the company acquired 150,000 and 600,000 shares, respectively, of the common stock of Armour and Company from Gulf & Western Industries, Inc. for cash in the amount of \$44,400,000 and a ten year warrant to purchase 175,000 shares of the company's common stock at \$30.00 per share. The number of shares issuable under the warrant and the purchase price thereof have been adjusted to 184,146 and \$28.51, respectively, to reflect the dilution resulting from the issuance in October 1968, of \$47,400,000 of the company's 5% convertible subordinate notes. For accounting purposes, the warrant has been assigned a value of \$1,050,000 and the cost of the investment in the stock of Armour and Company increased thereby. During the period from November 1, 1968 to December 2, 1968 the company purchased an additional 252,500 shares of common stock of Armour and Company on the open market at an aggregate cost of \$14,832,259 or \$58.74 per share.

## NOTE 3-Disposal of Unprofitable Facilities

In 1965 the Company established a reserve for estimated losses expected to result from the program for the discontinuation of unprofitable operations and the disposal of idle facilities in the amount of \$4,398,269, less related federal income tax reductions of \$1,907,000. Aggregate charges to the reserve, representing losses on disposal of

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

cilities and related expenses, amounted to \$391,269 in 1965, \$1,273,000 in 1966 and \$480,305 in 1967, all net of related income tax reductions.

These incurred in connection with the program, which has now been completed, have been less than original estimates and, accordingly, the remaining balance of \$624,695, less related federal income tax reductions of \$278,000, has been credited directly as a retroactive adjustment of the 1965 provision.

#### NOTE 4-Inventories

Inventories used in the determination of cost of sales were as follows:

	Raw Materials	Supplies	Finished Products	Total
December 26, 1964	\$2,220,901	\$2,386,779	\$2,444,101	\$7,051,781
December 25, 1965	1,998,895	2,218,330	2,937,142	7,154,367
December 31, 1966	1,856,186	1,986,597	3,817,413	7,660,196
December 30, 1967	1,749,997	2,140,913	4,138,246	8,029,156
October 5, 1968 (unaudited)	1,746,423	2,097,843	4,228,350	8,072,616

## NOTE 5-Long-Term Debt

The notes payable to insurance companies bear interest at 5½% and are payable in annual instalments of \$800,000 to 1977 with the balance of \$2,200,000 due in 1978. In January, 1969, the Company entered into an agreement with the insurance companies under which the 5½% Notes will be repaid on August 29, 1969 if the proposed Exchange Offer to the Armour stockholders is consummated.

The 6% cumulative income subordinated debentures are subject to redemption through the operation of a sinking fund beginning in 1971 at the rate of \$450,000 principal amount each year.

The loan agreement relating to the 5¼% notes payable and the indenture relating to the 6% cumulative income subordinated debentures contain certain restrictions relating to the payment of dividends, the incurrence of additional indebtedness and the maintenance of working capital, as well as interest and sinking fund requirements on the debentures. As of December 30, 1967 and October 5, 1968 (unaudited) approximately \$2,561,000 and \$3,503,000, respectively, of retained earnings was not restricted as to the payment of dividends or interest on the debentures.

The notes payable to bank bear interest at the rate of 1% above the lending bank's "prime" interest rate and are payable in quarterly instalments of \$250,000 each, beginning September 15, 1968.

Other long-term debt includes notes payable of Yellowstone Park Company in the amount of \$700,000 secured by the pledge of its assets having an approximate book value of \$5,400,000 at December 30, 1967.

At October 5, 1968 the aggregate maturities of long-term debt and sinking fund requirements for the years 1969 through 1973 were as follows:

1969		\$2,544,000
1970		2,167,000
1971		2,535,000
1972		2,491,000
1973	***************************************	1,961,000

During October 1968 the company sold at par \$47,400,000 of its 5% convertible subordinate notes due June 15, 1988. The notes are convertible at any time into an aggregate of 1,755,555 shares of the company's common stock at the rate of \$27.00 per share. The company may, at its option, prepay the notes in whole or in part upon payment of a premium of 5% to June 15, 1969 and at reduced amounts thereafter.

On November 1, 1968, the company entered into a loan agreement with a group of banks under which the company may borrow up to \$20,000,000 on or before March 31, 1969 to purchase shares of common stock of Armour and Company. The borrowings will bear interest at the rate of 1% above the prime rate and be payable \$500,000 quarterly beginning May 1, 1969, with the balance payable on November 1, 1973. In addition, beginning in 1970, the company is required to make prepayments equal to 25% of the excess of net income, as defined, over the annual payments on all of the company's long-term debt. The agreement further provides that the company will not borrow in excess of \$6,000,000 of additional debt, unless satisfactorily subordinated to borrowings under the loan agreement.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

#### NOTE 6-Common Stock

ansactions in the common stock and capital in excess of par value accounts during the three years and unaudited

40 weeks ended October 5, 1908 were as ionows:	Commo	Common Stock	
	Shares	Amount	Excess of Par Value
Balance December 28, 1964	1,606,745	\$8,033,725	\$ 13,865
Stock options exercised	12,125	60,625	6,111
Balance December 25, 1965	1,618,870	8,094,350	19,976
Excess of proceeds over cost of treasury stock sold or issued under stock options	_	_	16,788
Balance December 31, 1966	1,618,870	8,094,350	36,764
Stock options exercised	34,135	170,675	122,191
Shares issued in exchange for stock of Uncle John's Restaurants, Inc	31,788	158,940	476,811
Balance December 30, 1967	1,684,793	8,423,965	635,766
Shares issued in exchange for common stock of Li'l General Stores, Inc	661,279	661,279	2,090,948
Estimated expenses of merger with Li'l General Stores, Inc.		-	(360,000)
Balance December 30, 1967 as restated for pooling of interests	2,346,072	9,085,244	2,366,714
Conversion of Li'l General Stores, Inc. debentures, prior to merger	-		100,000
Additional expenses of merger with Li'l General Stores, Inc		****	(19,544)
Stock options exercised	4,800	14,000	63,456
Reduction of par value from \$5.00 to \$1.00 per share		(6,748,372)	6,748,372
Shares sold in public offering	200,000	200,000	3,990,000
Issuance of warrant to purchase common stock (Note 2)	_		1,050,000
Balance October 5, 1968 (unaudited)	2,550,872	\$2,550,872	\$14,298,998

Transactions in the treasury stock account during the three years and unaudited 40 weeks ended October 5, 1968 were as follows:

	Shares	Amount
Balance December 28, 1964 and December 25, 1965	28,990	\$ 256,441
Shares purchased during year	10,000	157,949
Shares sold during year	(7,000)	(61,950)
Stock options exercised	(12,575)	(111,289)
Balance December 31, 1966	19,415	241,151
Stock options exercised	(19,415)	(241,151)
Balance December 30, 1967	-	
Shares acquired in connection with merger of Li'l General Stores, Inc.	63,000	2,240,000
Balance October 5, 1968 (unaudited)	63,000	\$2,240,000
		***************************************

On March 28, 1968 the company's certificate of incorporation was amended to (a) increase the authorized common stock from 2,000,000 to 5,000,000 shares, (b) reduce the par value of the common stock from \$5.00 to \$1.00 per share and (c) reduce the stated capital at December 30, 1967 to \$1,684,793, representing the par value of the shares outstanding.

On July 11, 1968 the company's certificate of incorporation was amended to authorize the issuance of 1,000,000 shares of \$1.00 par value preferred stock and on October 10, 1968 the certificate of incorporation was further amended to increase the authorized common stock of the Company to 10,000,000 shares.

Under the company's Qualified Stock Option Plan, options may be granted to key employees at not less than the fair market value of the company's stock on the date of grant. The options become exercisable after one year of employment and expire five years after grant, but are not exercisable so long as there is outstanding any exercisable option previously granted if the option price on the previously granted option is higher than the option price of the new option. At October 5, 1968 (unaudited) 63,000 shares were available for granting additional options.

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

The following table summarizes data concerning stock options: Options outstanding at October 5, 1968 (unaudited):

	N-1-4		Option price		Fair value at date of grant		
Granted In	Number of Shares	Per Share	Total	Per Share	Total		
1965	25,500	\$ 8.19-\$13.75	\$ 239,375	\$ 8.19-\$13.75	\$ 239,375		
1966	31,500	16.75- 19.63	567,188	16.75- 19.63	567,188		
1967	6,700	26.94	180,481	26.94	180,481		
1968	33,000	31.75- 33.81	1,053,938	31.75- 33.81	1,053,938		
	96,700		\$2,040,982		\$2,040,982		
	Action for the second		MARKET AND THE PARTY OF THE PAR		CONTRACTOR OF THE PARTY OF THE		

The number of shares with respect to which options became exercisable during 1965, 1966, 1967 and 1968 as follows:

Year	N d	Option p		Fair val	ue at cisable
exercisable	Number of Shares	Per Share	Total	Per Share	Total
1965	4,878	\$ 6.75-\$ 8.50	\$ 36,303	\$ 8.50-\$11.13	\$ 45,213
1966	75,875	6.75 - 19.63	\$1,036,906	14.50- 19.63	\$1,209,625
1967	34,250	8.19- 26.94	\$ 480,588	16.00- 36.00	\$ 756,728
1968 (unaudited)	30,000	31.75	\$ 952,500	31.75	\$ 952,500

The number of shares with respect to which options were exercised during 1965, 1966, 1967 and 1968 as follows:

		Option price		Fair value at date exercised		
Year of exercise	Number of Shares	Per Share	Total	Per Share	Total	
1965	12,125	\$ 6.75-\$ 7.25	\$ 86,969	\$ 9.13-\$15.13	\$ 174,257	
1966	12,575	6.75- 13.10	\$ 92,026	13.81- 21.00	\$ 235,136	
1967	53,550	7.25- 19.63	\$ 534,018	16.13- 40.13	\$1,286,494	
1968 (unaudited)	4,800	13.75- 26.94	\$ 77,456	30.12- 37.12	\$ 162,381	

No amounts have been reflected in the income accounts as a result of the grant or exercise of these options.

## NOTE 7-Federal Income Taxes

Federal income taxes for 1966 and 1967 and the unaudited 40 week period ended October 7, 1967 are based on the results of operations for the applicable periods, whereas the company's actual tax liability for those periods has been reduced by \$1,104,000, \$228,000 and \$248,000, respectively, as a result of the current deductibility for tax purposes of losses incurred in the disposal of unprofitable facilities which were charged to the reserve provided therefor in 1965.

Included in federal income taxes for 1967 and the unaudited 40 week periods ended October 7, 1967 and October 5, 1968 are deferred taxes of \$593,000, \$418,000, and \$406,000, respectively, resulting from the use of accelerated depreciation methods for tax purposes and the straight-line method for financial reporting purposes.

The company follows the flow-through method of accounting for the investment tax credit and, accordingly, federal income taxes for 1964, 1967 and the unaudited 40 week periods ended October 7, 1967 and October 5, 1968 have been reduced by \$281,000, \$136,000, \$138,000 and \$576,000, respectively, representing the amount of allowable credit for the respective periods. At December 30, 1967 and October 5, 1968 (unaudited), the company had unused investment tax credit carry-overs amounting to approximately \$600,000 and \$144,000, respectively, available for tax reductions.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

### 1 OTT 8-Property and Plant

	December 39, 1967	1968
Property and Plant comprised:		(unaudited)
Buildings	\$31,143,655	\$31,061,814
Machinery and equipment	45,192,960	46,035,698
Automobiles and trucks	11,013,857	10,473,524
Construction in progress	808,287	3,607,714
Leasehold improvements	2,761,089	3,079,202
	90,919,848	94,257,952
Less-Accumulated depreciation and amortization	54,451,078	56,335,177
	36,468,770	37,922,775
Land	3,441,725	3,215,987
	\$39,910,495	\$41,138,762

Effective January 1, 1967 the Company, for financial reporting purposes, changed from an accelerated method to the straight-line method of computing depreciation while continuing to use accelerated methods for tax purposes. This change had the effect of decreasing depreciation expense for the year by approximately \$1,150,000 and, after provision for deferred federal income taxes, increasing net income by approximately \$600,000 or \$.26 per share.

Amortization of leasehold improvements is based on the length of the respective leases, or the useful life of the respective assets, if shorter. The estimated lives used in computing the depreciation provisions are as follows:

Buildings	10-50 years
Machinery and equipment	3-14 years
Automobiles and trucks	4- 6 years

Expenses for maintenance and repairs of capital assets are charged against current operations. The costs of renewals and betterments are capitalized.

Upon normal dispositions of assets for which composite reserves for depreciation and obsolescence are maintained, the cost of the assets, less any recoveries, is charged against the reserve for depreciation. In the case of abnormal disposition of assets or the sale or retirement of assets for which composite reserves are not maintained, the cost of the assets and the related accumulated depreciation are eliminated from the accounts and the resulting profit or loss is included in income.

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

#### MOTE 9-Employee Retirement Plan

The company has in effect a contributory retirement plan for the benefit of all eligible employees. Based on the opinion of the company's independent consulting actuary, the plan was fully funded at December 30, 1967 and October 5, 1968 (unaudited), and no contribution to the fund or charge to income was required during the three years and unaudited 40 weeks ended October 5, 1968, since the amount of the normal cost for each period was offset by actuarial gains.

#### NOTE 10-Commitments

At October 5, 1968 (unandited) the company was party to various leases with minimum aggregate rentals of approximately \$29,193,000 payable over varying periods with an approximate annual cost of \$3,033,000 in 1969 and in reduced amounts in subsequent years.

Under its contract with the National Park Service, Yellowstone Park Company at October 5, 1968 (unaudited) was committed to expend an aggregate of not less than \$7,800,000 by June 30, 1975 on the construction and renovation of park facilities.

#### NOTE 11-Litigation

The company is currently the defendant in several lawsuits which, in the opinion of management and legal counsel, will not result in any significant liability to the company. In addition, subsequent to February 9, 1968 the company was named as a defendant in certain civil and criminal actions. In the opinion of management and legal counsel, the actions will not have any material adverse effect on the company's financial position.

#### NOTE 12-Supplementary Profit and Loss Information

NOTE 12—Supplementary Front and Boss Information	Fiscal Years			40 Week.
	1965	1966	1967	October 5, 1968
Maintenance and repairs, charged to:  Cost of sales and service  Delivery, selling, advertising and administrative expense	\$2,864,227 3,470,494	\$2,440,40 <b>7</b> 2,755,370	\$3,104,663 3,130,600	(unaudited) \$2,288,991 2,453,725
	\$6,334,721	\$5,195,777	\$6,235,263	\$4,742,716
Depreciation and amortization, charged to:  Cost of sales and service  Delivery, selling, advertising and administrative expense	\$3,153,948 1,865,124	\$2,644,007 1,524,488	\$2,419,505 1,594,180	\$2,245,952 958,051
	\$5,019,072	\$4,168,495	\$4,013,685	\$3,204,003
Taxes, other than federal income, charged to:  Cost of sales and service  Delivery, selling, advertising and administrative expense	\$2,000,129 2,002,478	\$2,040,603 1,886,938	\$2,153,572 2,295,172	\$1,853,218 2,140,095
	\$4,002,607	\$3,927,541	\$4,448,744	\$3,993,313
Taxes, other than federal income, comprise:  Unemployment insurance and federal old age benefits  Real estate and personal property  Auto, selling licenses and miscellaneous	\$2,748,019 855,098 399,490	\$2,786,080 781,323 360,138	\$3,146,760 854,408 447,576	\$2,636,426 755,268 601,619
	\$4,002,607	\$3,927,541	\$4,448,744	\$3,993,313
Rents and royalties, charged to:  Cost of sales and service  Delivery, selling, advertising and administrative expense	\$1,182,530 2,973,193	\$1,480,787 3,310,070	\$1,848,872 4,276,502	\$1,358,374 3,708,478
	\$4,155,723	\$4,790,857	\$6,125,374	\$5,066,852
	Access to the second se	\$1.00 to 10.00 to 10.00 to 10.00 to 10.00 to		

There were no management and service contract fees.

Note-Depreciation and amortization shown above include the following amounts relating to facilities disposed of:

Charged to:	1965
Cost of sales and service Delivery, selling, advertising and administrative expense	\$548,450 261,555
	\$810,005

It was not practicable to determine maintenance and repairs, taxes, other than federal income taxes, and rents and royalties applicable to those facilities disposed of. The information for 1966, 1967 and 1968 excludes amounts relating to such facilities.

### ANNEX A-DESCRIPTION OF ARMOUR AND COMPANY

Note: Because Armour has declined to provide General Host with further information concerning itself and because Armour has declined to permit its independent accountants to nertify its financial statements quoted herein, the following information drawn from the most recent publicized sources may be incomplete or misleading and General Host can make no representation concerning its accuracy or completeness. See "Information Concerning Armour".

## Description of Armour's Business

Armour has described itself in a Registration Statement filed with the Securities and Exchange Commission which became effective on May 3, 1968, as follows:

"[Armour] was incorporated under the laws of Illinois in 1900, and by merger into a subsidiary in 1960 became a Delaware corporation. Its business is divided into eight major segments, one of which it operates under the trade name, "Armour Foods," and seven of which are incorporated as wholly-owned subsidiaries. The subsidiaries are Armour Agricultural Chemical Company, Armour Grocery Products Company, Armour Industrial Chemical Company, Armour Industrial Products Company, Armour Leather Company, Armour Pharmaceutical Company and Baldwin-Lima-Hamilton Corporation.

"Armour Foods slaughters livestock and processes and buys and sells meats and animal products and their by-products. Armour Foods also manufactures or processes and buys and sells other food products, including poultry, eggs, butter, cheese, vegetable oils, margarine, salad oil and shortening. It is divided into two major operations. One consists of processed meat products, dairy and poultry products, and food service operations; the other consists of fresh meat and related products. Armour Foods markets its products under a number of trademarks, including "Armour Star," "Golden Star," "Ham What Am" and "Cloverbloom."

"Armour Agricultural Chemical Company is a major factor in the production and marketing of fertilizers. It is largely self-sufficient in the three basic fertilizer raw materials with its wholly-owned sources of phosphate and nitrogen and [Armour's] joint venture interest in a Canadian potash mining operation. It also markets ammonia and nitrogen solutious, ammonium nitrate, anhydrous ammonia, ammonium phosphate, triple-superphosphate and ground phosphate rock, along with a complete line of insecticides, weed killers and fungicides for agricultural use. These products are marketed primarily under the trademarks of "Vertagreen" and "Armagard." For further information concerning Armour Agricultural Chemical Company, reference is made to the second paragraph under the caption Recent Developments.

"Armour Grocery Products Company manufactures and markets soaps, detergents, shampoos, glycerine, industrial and household floor waxes, household ammonia, spray fabric sizing, and pizza mixes. It also markets shelf-size canned meats and pet foods which are manufactured by Armour Foods. Among its trademark items are "Dial" soaps and shampoos, "Princess" complexion soap, "Chiffon" liquid detergent, "Bruce" waxes, "Parsons" ammonia, "Magic" spray sizing, "Appian Way" pizza mixes, "Treet" and "Armour Star" canned meats and "Dash" pet foods.

"Armour Industrial Chemical Company produces and markets, primarily for industrial use, fatty acids, esters, nitrogen derivatives and other organic and inorganic chemicals, resins and polymers.

"Armour Industrial Products Company manufactures and markets coated abrasives, adhesives, bonded fibres, capliner and other resin coated products and pressure sensitive tape products.

"Armour Leather Company tans hides, and produces and markets shoe and specialty leathers and leather by-products and substitutes.

"Armour Pharmaceutical Company manufactures and markets ethical pharmaceuticals, including hormones, enzymes, hematologicals, and cardiovascular and nervous system drugs; veterinary biological pharmaceuticals; and antacid and antiperspirant ingredients. Its products include thyroid and the trademarked items "Chymar," "Chymoral" and "Biozyme" (systemic anti-inflammatory enzyme preparations) and "Acthar Gel" (ACTH).

"Baldwin-Lima-Hamilton Corporation manufactures and markets co. struction equipment, heavy machinery and industrial equipment, and a line of electronic equipment. It is divided into four major segments. The Industrial Equipment Division manufactures heavy equipment such as hydraulic turbines, hydraulic presses, governors and valves, ship propellers, pumps, heat exchangers and desalination systems. The Standard Steel Division manufactures weldless rings and flanges and steel specialties. The Construction Equipment Division manufactures a line of highway construction machinery and builds equipment for lumbering, mining, building construction and road maintenance. BLH Electronics, Inc. manufactures equipment for the electronic measurement of weight, pressure, strain and torque.

"[Armour] is the second largest meat packer in the United States according to published industry statistics. [Armour] believes that it is also among the leaders in the field of agricultural chemicals; household soaps; fatty chemicals; hydraulic turbines, governors and valves; ship propellers; electronic force measurement equipment and desalination systems. Conditions in all major segments of [Armour's] business are highly competitive. During the 1967 fiscal year, Armour Foods' livestock slaughter approximated 10% of the total federally inspected slaughter of cattle, hogs, lambs and calves. Although over recent years Armour Foods has accounted for more than 74% of the gross volume of business of [Armour] the other [Armour] groups have in each such year accounted for more than 50% of [Armour's] earnings and now represent more than 60% of [Armour's] assets."

"Recent Developments

"On January 15, 1968, Gulf & Western Industries, Inc. (G&W) informed [Armour] that it had acquired 9.8% of the outstanding common stock of [Armour] and suggested a plan of consolidation of the two corporations, whereby the holders of [Armour's] common stock would receive, for each 2.25 shares of [Armour's] common, one share of 3%% preferred stock convertible into 1.648 shares of G&W common plus, for each share of [Armour's] common, .275 of a warrant to purchase a share of G&W common at \$55 per share. [Armour] promptly initiated economic and legal studies of the proposal and retained independent financial and legal advisors to do the same. While these studies were still in progress, on February 5, 1968, G&W informed [Armour] that in view of present unfavorable market conditions, G&W had suspended consideration of a merger with [Armour]. Accordingly, [Armour] suspended its studies, and the proposal has not come before the Board of Directors of [Armour] for its consideration. A letter of inquiry by the U. S. Department of Justice concerning the proposal has not been withdrawn, however, and the information requested thereby is being assembled.

"A decision has been made to sell the United States assets and business of Armour Agricultural Chemical Company to United States Steel Corporation. The transaction has been approved by the Boards of Directors of both corporations, subject to compliance with legal requirements, and a definitive contract was executed on April 29, 1968. If the sale is consummated, the net realization to [Armour] will be in excess of \$100,000,000, in cash. The business being sold represents approximately 7% of total sales, and 25% of total assets, of [Armour] and its consolidated subsidiaries, based upon fiscal 1967 figures. Taking into account the proceeds, the transaction will reduce total assets by approximately 5% and will result in a non-recurring loss of approximately \$13,000,000 which will be reported as an extraordinary charge in the 1968 accounts. The earnings of the business being sold, included in the earnings of [Armour] and its consolidated subsidiaries for the 1967 fiscal year, were negligible. Although the use of the proceeds has not been finally determined, it is anticipated that a portion will be used, at least initially, to reduce debt or the outstanding capital stock of [Armour], or both, but that in the main the proceeds and over a period of time be invested in strengthening [Armour's] existing businesses and in developing and acquiring new lines.

"Prior to January 9, 1968, [Armour] owned, through one of its wholly-owned non-consolidated foreign subsidiaries, a 50% interest in Armour Hess Chemicals Limited, a British corporation

engaged in the manufacture and marketing of fatty acids and nitrogen derivatives. On that date, [Armour] acquired, through another of its wholly-owned subsidiaries, the outstanding 50% interest in this facility for \$3,142,000.

"A new phosphoric and sulfuric acid plant was completed near Bartow, Florida, in 1965. Additional phosphate rock reserves in Florida were acquired in 1964, 1965, 1966 and 1967. In 1967 [Armour], pursuant to contracts entered into with Freeport Sulphur Company in 1966, conveyed to it an undivided one-half interest in certain phosphate rock lands near Fort Meade, Florida, and commenced construction of a phosphate rock mine on the jointly owned properties, which mine will be operated as a joint venture. These assets and business are included in those which are subject to the above mentioned sale to United States Steel Corporation.

"In 1963 and 1964 [Acanour] and Pittsburgh Plate Glass Company made substantial investments in and advances to Kaham Chemica': Limited. This equally owned Canadian corporation has constructed facilities near Regina, Saskatchewan, Canada, for the solution mining and refining of potash. Commercial production began in November, 1964, and a substantial portion is sold to [Armour]. Kalium Chemicals Limited continued to operate profitably in 1967 and remitted \$500,000 to [Armour] against advances made in prior years. It also arranged a \$20 million financing from which each of the owners was repaid an additional \$7,495,000. The balance of the borrowed funds will be used for general corporate purposes. For further information concerning Kalium operations and properties, reference is made to the last paragraph under the caption Agricultural Chemical Properties.

"In 1965 [Armour] joined with Shell Chemical Company Limited (a member of the Royal Dutch/Shell Group) in forming an equally owned company, Shellstar Limited, to manufacture and market agricultural fertilizers and chemicals in the United Kingdom. Shellstar owns and operates plants at Shell Haven on the Thames Estuary. A new nitrogen complex with a capacity to produce 750,000 tons of straight and concentrated fertilizers is expected to be on stream in 1969. For information concerning commitments in connection with the financing of Shellstar, reference is made to Note 12 to the Financial Statements.

"[Armour] is collaborating with an Indian industrial firm with a view to construction and operation of an ammonia-urea project with capacity to produce approximately 340,000 metric tons per year of urea, at a site in Goa.

"Kalium and Shellstar operations and the Goa project are not presently included in the proposed sale to United States Steel Corporation, and no decision has been made as to the possible disposition of any of them.

"In 1964 [Armour] completed and put into operation near Aurora, Illinois, a continuous system plant for the manufacture of Dial Soap, and, through a wholly-owned Canadian subsidiary, a fatty acids nitrogen derivatives plant in Saskatoon, Saskatchewan, Canada.

"Since 1963 [Armour] has acquired the assets of several small companies engaged, respectively, in the production and sale of antacid and antiperspirant ingredients for use by the pharmaceutical and cosmetic and toiletries industries, veterinary biological pharmaceuticals, capliner and other resin coated products, pressure sensitive tape products, and the distribution of a spray fabric sizing household ironing aid, has acquired a small company engaged in the development of microwave processing equipment, and has acquired a line of floor wax and cleaner products sold under the trade mark "Bruce" together with production facilities for such products.

"[Armour] sold its Sole Leather Division in September, 1964, its Sheepskin Leather Division in February, 1965, and its food oil refineries at Kankakee, Illinois, Chattanooga, Tennessee, and Fort Worth, Texas, in September, 1966.

"During the past five years [Armour] has put into operation two new packing plants in Sterling, Illinois, and Worthington, Minnesota, has acquired an existing hog processing plant in Sioux City,

love a char commenced construction of a new food processing and distribution center in Pittsburgh, ambylvania, and has opened new food processing and distribution centers in Mobile, Alabama, Dorsey, Maryland, Garland, Texas, and New Berlin, Wisconsin, and a turkey processing plant in Washington, Indiana. During these five years certain unprofitable units, including seven meat backing plants, a meat processing unit, a number of food branch houses and several miscellaneous units, have been closed and most of these units have been sold. The closing of these various facilities, together with the opening of the new plants and food processing and distribution centers is believed to have made [Armour's] operations more efficient and to have permitted better utilization of its facilities. In continuation of its replacement and relocation program, [Armour] has announced that it will close three slaughtering plants during 1968. Reference is made to Note 7 to the Financial Statements for information concerning a reserve provided in connection with the continuation of this program.

"Baldwin-Liria-Hamilton Corporation (BLH) was merged into [Armour] on July 2, 1965. Under the Joint Plan and Agreement of Merger, [Armour] acquired the assets and assumed the liabilities of BLH and each outstanding share of BLH Common Stock (except 118,435 shares purchased for cash) was converted into 13/100ths shares of a new \$4.75 Preferred Stock (cumulative and \$100 par value) and 1/6th share of Common Stock of [Armour]. Its business is now operated as a wholly-owned subsidiary of [Armour].

"Fo information concerning the purchase by [Armour] during 1966 of 534% convertible subordinated debentures of International Packers Limited (IPL), and the termination of the voting trust agreement under which [Armour's] shares of common stock of IPL were held, reference is made to Note 3 to the Financial Statements.

## "Employes

"[Armour] employs approximately 37,800 persons, of whom 24,000 are represented by labor unions. About 230 labor contracts covering production workers are negotiated with 26 different international unions.

"There are two Master Agreements (identical in all material respects), negotiated in March, 1967, with the United Packinghouse, Food and Allied Workers AFL-CIO, and the Amalgamated Meat Cutters and Butcher Workmen of North America AFL-CIO. Units covered by these agreements include most of [Armour's] meat packing and processing units, and the Aurora and Chicago Grocery Products plants. The present Master Agreements expire on August 31, 1970.

"Most of the other production units of [Armour] and its subsidiaries are under individual unit contracts with various unions and having various dates of expiration.

"Employe relations in the main are considered to be good.

## "Plants and Properties

"[Armour], whose executive offices at 401 North Wabash Ave., Chicago, Illinois are leased, owns or leases extensive properties for use in its business. The principal units are as follows:

## "Meat Packing Plants:

"[Armour] operates twenty-three livestock slaughtering and meat packing and processing plants located as follows:

Brownsville, Tex.

\*Denver, Colo.

Dixon, Calif.

Gaffney, S. C.

Green Bay, Wis.

Houston, Tex.

Huron, S. D.

Lexington, Ky.

\*Lubbock, Tex.

Mason City, Iowa

Memphis, Tenn.

Nampa, Idaho

\*Omaha, Nebr.

Pittsburgh, Pa.

Portland, Ore.

Reading, Pa.
San Angelo, Tex.
Sioux City, Iowa
South St. Joseph, Mo.
South St. Paul, Minn.
Spokane, Wash.
Sterling, Ill.
Worthington, Minn.

A-4

"The Sioux City plant is located on leased land; the Denver, Houston and Lubbock plants are the lease; the other nineteen are owned. During 1968 [Armour] plans to close the three ants designated by an asterisk (\*).

## "Frosted Meat Plant:

"[Armour] owns and operates a frosted meat processing plant at Eau Claire, Wisconsin.

## "Dairy and Poultry Plants:

"[Armour] operates twenty-five dairy and poultry plants, of which sixteen are owned and nine are leased, located in fifteen states.

## "Shortening and Edible Oil Plants:

"[Armour] owns and operates a complete deodorizing and hydrogenation facility located at Omaha, Nebraska for the production of lard, shortening, salad oil, margarine and vegetable oils, and two packaging plants located at Helena, Arkansas, and Norfolk, Virginia. In addition, there are lard refining facilities in various meat packing plants.

### "I Ryanch Houses:

"[Armour] operates one hundred nineteen food branch houses in the United States, of which seventy-three are owned and forty-six are leased. A consolidated subsidiary of [Armour] leases and operates a food branch house in Panama, R. P.

## "Agricultural Chemical Properties:

"Armour Agricultural Chemical Company operates the following agricultural chemical plants. Those designated by an asterisk (\*) are held under lease, and those designated by a double asterisk (\*\*) are located on leased ground; the others are owned. For further information concerning Armour Agricultural Chemical Company, reference is made to the second paragraph under the caption Recent Developments.

"Two phosphoric acid and sulfuric acid plants, located at Bartow and Fort Meade, Florida; and one triple-superphosphate plant located at Fort Meade, Florida.

"Two phosphate rock plants, located at Bartow and Hancock, Florida.

"Two anhydrous ammonia and nitrogen derivatives plants, located at \*Cherokee, Alabama, and Crystal City. Missouri.

"Six complete fertilizer plants, located at Albany and Columbus, Georgia; Chicago Heights, Illinois; Greensboro and Navassa, North Carolina; and Nashville, Tennessee.

"One acidulating and fertilizer mixing plant, located at New Orleans, Louisiana.

"Eight ammoniate and fertilizer mixing plants, located at \*Davenport, Florida, East St. Louis, Illinois, Jeffersonville, Indiana, Waterloo, Iowa, Baltimore, Maryland, \*Owosso, Michigan, Winona, Minnesota, and Memphis, Tennessee.

"Thirty liquid mix or bulk blend fertilizer plants, located at \*\*Kirklin, New Harmony, Rushville, Saratoga and Warren, Indiana; \*\*Belmond, Carroll, Jefferson, \*\*Sanborn and Vinton, Iowa; \*\*Lake Arthur, Louisiana; \*\*Austin, Blue Earth, Olivia, \*\*Wilmar and Windom, Minnesota; Caruthersville and Centralia, Missouri; \*\*Bellevue, Botkins, Cincinnati, \*\*Dola and Polk, Ohio; Dallas, \*\*Houston, Odem and \*Plainview, Texas; \*\*Spencer and Stevens Point, Wisconsin; and \*San Juan, Puerto Rico.

"Armour Agricultural Chemical Company also operates fertilizer warehouses and industrial ammonia plants and bulk stations at various owned or leased locations.

"Armour Agricultural Chemical Company owns or controls through long-term leases two plosphate rock mining properties, located in Florida, one of which is equipped with complete mining northies. Based on drilling data, [Armour] estimates that, of its owned and leased phosphate rock reserves of 59,557,782 mineable tons, 43,462,782 mineable tons will average between 31.1% and 32.4% phosphorus pentoxide and are sufficient to sustain production of phosphate rock at substantially the present rate for approximately 22 years. These estimates include one-half of the estimated rock reserves of 33,271,000 mineable tons with an estimated phosphorus pentoxide content of 31.40% on the properties in which an undivided one-half interest has been conveyed to Freeport Sulphur Company pursuant to the joint venture agreements described above under the caption Recent Developments. Mining data on the remaining 16,095,000 mineable tons have not been fully developed.

"During the years 1963, 1964, 1965, 1966 and 1967 the production of phosphate rock was 1,859,000, 1,945,000, 2,369,000, 1,911,000 and 2,034,800 gross tons, respective;. The design capacity of the mine under construction and operated as a joint venture with Freeport Sulphur Company is 2,000,000 tons of phosphate rock per year. In 1964, 1965, 1966 and 1967 the proportion or gross tons of matrix mined to overburden was 53.6%, 63.0%, 55.8% and 57.4%, respectively, the proportion of phosphate rock produced to gross tons of matrix mined was 26.1%, 25.2%, 20.3% and 17.4%, respectively, and the average phosphorus pentoxide grades of rock produced were 32.84%, 32.92%, 32.31% and 31.95%, respectively. It is estimated that the proportion of gross tons of matrix to overburden of the properties to be mined by the joint venture will be approximately 10% and the proportion of phosphate rock produced to gross tons of matrix mined will be approximately 22%.

[On July 1, 1968, Armour completed the sale of its domestic agricultural chemical business.]

"Kalium Chemicals Limited, a Canadian corporation owned equally by [Armour] and Pittsburgh Plate Glas. Company, owns and operates facilities near Regina, Saskatchewan, Canada, for the solution min. 3 and refining of potash. Commercial production of potash commenced in November of 1964. Production for the fiscal years ended October, 1965, 1966 and 1967, was 470,000 tons, 627,000 tons and 846,000 tons, respectively, of potassium chloride product averaging in potash the equivalent of 60% potassium oxide. From the drilling that has been done it is estimated that there are 950,000,000 tons of ore in place averaging 17.14% potassium oxide. It is further estimated that the solution mining method being used (which is the only feasible method for mining [Armour's] deposit) is capable of recovering 140,000,000 tons of such ore, from which 40,000,000 tons of potash product (i.e. potassium chloride) averaging 60% potassium oxide can be produced. Drillings on which such estimates are based are on a portion of the property and such drillings did not delimit the extent of the ore. Mining to date indicates no change required in previous estimates of recoverable ore. There has been no material change in the amount of water required to produce a ton of product compared to original estimates.

## "Grocery Products Plants:

"Armour Grocery Products Company owns and operates a plant near Aurora, Illinois, for the manufacture of soaps and glycerine; a plant at Chicago, Illinois, for the manufacture of detergents; a plant at Bellwood, Illinois, for the manufacture of packaged pizza mix; and a household ammonia, floor wax and cleaner products plant at Memphis, Tennessee. It also leases and operates a household ammonia plant at Clifton, New Jersey. Shelf-size canned meats and pet foods, distributed by Armour Grocery Products Company, are manufactured at [Armour's] Omaha and South St. Paul packing plants.

## "Industrial Chemical Plants:

"Armour Industrial Chemical Company owns and operates a plant at McCook, Illinois, for the manufacture of fatty acids and nitrogen derivatives of fatty acids and other industrial chemicals; a plant at Carpentersville, Illinois, which manufactures nitrogen derivatives of fatty acids and other adustrial chemicals; and a fatty esters plant at Philadelphia, Pennsylvania. It also leases a chemical warehouse and distribution point at Lodi, New Jersey. A wholly-owned Canadian subsidiary (not consolidated) owns and operates a fatty acids nitrogen derivatives plant in Saskatoon, Saskatchevan, Canada.

## "Abrasives, Coated Products and Adhesives and American Tape Plants:

"Armour Industrial Products Company owns and operates an abrasives and bonded fibres plant at Alliance, Ohio; two coated products plants located at East Rutherford, New Jersey, and Saugus, California; two adhesive plants located at Philadelphia, Pennsylvania, and Chicago, Illinois; and leases and operates two pressure sensitive tape products plants at Marysville, Michigan, and Los Angeles, California. Adhesives manufacturing operations are also conducted at [Armour's] Omaha and South St. Paul packing plants.

## "Leather Plant:

"Armour Leather Company owns and operates a leather tannery at Sheboygan, Wisconsin.

## har naceutical Laboratories:

"Armour Pharmaceutical Company owns and operates a pharmaceutical, bio-chemical and veterinary products plant near Kankakee, Illinois; a specialty pharmaceutical and cosmetic and toiletries chemicals plant at Berkeley Heights, New Jersey; and two veterinary products plants located at Lathrop, Missouri, and Elkhorn, Nebraska.

## "Construction, Industrial and Electronic Equipment Plants:

"BLH operates two construction equipment plants located at Aurora, Illinois and Lima, Ohio; a heavy industrial equipment plant at Eddystone, Pennsylvania; an electronics force measurement equipment plant at Waltham, Massachusetts; a steel specialties plant at Burnham, Pennsylvania; and a light industrial equipment plant at Beacon, New York. The Waltham plant is held under lease; the others are owned.

## "Microwave Processing Plant:

"The Cryodry Corporation, a wholly-owned consolidated subsidiary of [Armour], owns and operates a plant at San Ramon, California, engaged in the manufacture and development of microwave heat processing equipment.

## "Research Laboratories:

"Armour Foods and each of the major subsidiaries of [Armour] has its own research facilities.

"[Armour's] and [its] consolidated subsidiaries' real properties, other than those stated to be held under lease are held in fee, approximately 34% of the net book value of which is subject to the lien of [Armour's] indenture of mortgage and deed of trust, dated January 1, 1923, as amended and supplemented, and the subsequent underlying indentures of mortgage and deeds of trust of certain of [Armour's] subsidiaries."

Since the date of the foregoing description, Armour, according to information contained in an August 1, 1968, Offer to Purchase Common Stock of Armour and Company at \$50 per share, has had the following changes:

"On July 1, 1968, [Armour] completed the sale of its domestic agricultural chemical business. The proceeds from the disposition of this business, after certain post-closing adjustments and collection of retained receivables, are expected to total approximately \$130,000,000. It is anticipated

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that this disposition will result in an extraordinary charge of approximately \$13,000,000 in [Armour's] fiscal 1968 accounts. This charge is in addition to reserves established in prior years and is not of the federal income tax reduction in the current year arising out of the loss on the sale of the business.

"On the date hereof, [Armour] is distributing to its stockholders rights to purchase 18.4% of the Common Stock of Armour-Dial, which prior hereto has been a wholly-owned subsidiary of [Armour]. Proceeds from this sale will go to Armour-Dial and will be used as set forth in Armour-Dial's Prospectus dated today which contains information about this important part of [Armour's] business and about certain transactions between [Armour] and Armour-Dial."

Armour announced on August 13, 1968, that it would purchase 1,500,000 shares of its Common Stock at \$50 per share pursuant to the offer mentioned above, which it would continue to hold as Treasury Shares.

## Proposed Armour Acquisitions and Proposed Acquisition of Armour

On December 13, 1968 it was reported in the press that Armour and Company plans to make an exchange offer to shareholders of Williams Brothers Company ("Williams"), a Tulsa-based pipeline and pipeline services concern. In September a proposed merger of Williams with ACF Industries, Inc. was abandoned. In November a proposed combination of Williams with International Minerals & Chemicals Corp. was abandoned.

The announcement by Armour reported in the press was that Armour would exchange 1½ shares of Armour common stock for each share of Williams' approximately 2.9 million shares of common stock outstanding.

On the terms announced, Armour would have issued approximately 3.8 million shares of its common stock, which would dilute the percentage ownership of present holders of outstanding Armour common stock by approximately 62%. The proposed Armour exchange offer for Williams stock apparently would have been conditioned upon acceptance by holders of 80% of Williams currently outstanding common stock.

Under the rules of the New York Stock Exchange Armour would have been required to obtain the approval of its stockholders for the proposed transaction with Williams stockholders. General had announced its intention to oppose any such exchange offer at any such meeting.

Williams reported earnings for 1967, before extraordinary items, at \$14.6 million or \$5.57 per share of Williams on sales of \$99.4 million. Williams reported nine months' earnings in 1968 at \$12 million or \$3.60 per share of Williams on sales of \$75.1 million, down from \$12.5 million earnings or \$3.78 per Williams share, for the comparable period in the preceding year.

The proposed acquisition by Armour and Company of Williams Brothers was cancelled, according to an announcement by Armour on December 30, 1968.

On January 3, 1969 it was announced that Armour proposes to acquire Klarer of Kentucky Incorporated in exchange for Armour common stock. Klarer is a meat packer with 1968 sales of \$60,600,000 and a 1968 net loss of \$530,811. Based upon information presently available to General Host, this proposed acquisition does not appear to be in the best interests of Armour stockholders.

On January 28, 1969 The Greyhound Corporation, through a subsidiary, offered to purchase up to 41% of Armour's common stock for cash at a price of \$65 per share, and announced that it would retain the option to accept more than 41%. It is reported that Armour's present management favors this offer.

Some stated in its Registration Statement which became effective May 3, 1968 that its capitalization was as follows:

"The capitalization of [Armour] as of January 27, 1968, is as follows. The amounts outstanding will not be affected by the sale of the Common Stock hereby offered.

	Originally Authorized	Outstanding January 27, 1968
"Long Term Debt:		
First Mortgage 234% Sinking Fund Bonds, Series F, due July 1, 1971	\$50,000,000	\$ 10,075,000
First Mortgage 3% Sinking Fund Bonds, Series G, due July 1, 1971	12,000,000	8,046,000
Notes Payable—Banks(1)	60,000,000	60,000,000
Equipment lease obligations(2)		9,531,153
71/2% Purchase Money Note, due January 11, 1971	-	3,000,000
"Subordinated Long Term Debt:		
41/76 Convertible Subordinated Debentures, due September 1, 1983	32,648,300	32,645,600
5% Cumulative Income Subordinated Debentures, due November 1, 1984	60,000,000	48,606,520
Short Term Notes Payable		26,966,630
Total Debt		\$198,870,903
Percent of total capitalization		33.0%
\$4.75 Preferred Stock, \$100 par value (shares)	550,000	526,352
Series Preferred Stock, \$100 par value (shares)	350,000	None
Common Stock, \$5 par value (shares)	15,000,000(3)	7,549,790(4)

<sup>&</sup>quot;(1) Reference is made to Note 5 to the Financial Statements for information concerning these Notes Payable.

Armour reduced its outstanding shares by purchasing 1,500,000 shares in its August tender offer. It was reported in the press that 6,095,000 shares were outstanding as of November 2, 1968.

## General's Stockholdings in Armour

As of December 24, 1968 General owned 1,002,500 shares of Armour common stock, representing approximately 16.5% of the total outstanding. No other person has reported to the Securities and Exchange Commission or is known by General to own of record or beneficially more than 10% of the outstanding stock of Armour. However, General presently does not participate in the direction or management of Armour. To the best knowledge of General there are presently 17 directors of Armour. The terms of 6 directors expire in 1969, 5 in 1970 and 6 in 1971. In addition, Armour has cumulative voting.

<sup>&</sup>quot;(2) Reference is made to Note 12 to Financial Statements for information concerning these and other lease obligations.

<sup>&</sup>quot;(3) Of the authorized but unissued Common Stock, 638,357 shares are reserved for issuance upon conversion of the 4½% Convertible Subordinated Debentures at a conversion price of \$51.14 principal amount of debentures for each share of stock, and 240,069 shares are reserved for issuance pursuant to a Restricted or Qualified Stock Options granted or authorized to be granted.

<sup>&</sup>quot;(4) Excludes 23,875 shares held by [Armour], of which 23,873 (not included in unissued shares reserved) are held available for delivery upon exercise of stock options granted to certain officers and employees of [Armour]. See "Options to Purchase Securities" under the heading "Management" and Note 9 to the Financial Statements. The stock options therein described constitute an element of potential dilution to stockholders."

In the May 3, 1968 Armour Registration Statement, Armour described its common stock as follows:

"The Certificate of Incorporation of [Armour] authorizes the issuance of 15,000,000 shares of Common Stock, of the par value of \$5 per share, of which 7,549,790 were issued and outstanding as of January 27, 1968. The issued and outstanding shares are fully paid and nonassessable. The Common Stock is listed on the New York and Midwest Stock Exchanges.

"Dividend Rights. Subject to the limitations referred to in "Limitations on the Payment of Dividends" or in "Preferred Stock Limitations," the holders of shares of Common Stock are entitled to receive such dividends as may be declared by the Board of Directors.

"Voting Rights. Subject to the limitations referred to in "Preferred Stock Limitations," holders of Common Stock are entitled to one vote for each share held on any matter submitted to a vote at any meeting of stockholders, and in all elections of directors every holder of Common Stock has the right to vote the number of shares owned by him for as many persons as there are directors to be elected by the holders of Common Stock or to cumulate his votes and give one candidate as many votes as the number of such directors to be elected multiplied by the number of his shares shall equal, or to distribute them on the same principle among the number to be voted for, or for any two or more of them, as he shall see fit. The Board of Directors is seventeen in number, divided into three classes of which two consist of six directors and one consists of five, and at each annual meeting of stockholders the members of the class whose term expires are elected for a term of three years.

"Limitations on the Payment of Dividends. The various documents pursuant to which Armour's long term obligations have been issued provide certain restrictions and limitations upon the payment of dividends on the Company's capital stock. Under the most restrictive provisions of these documents, none of [Armour's] earnings employed in the business at October 28, 1967, was restricted as to payment of cash or property dividends.

"Preferred Stock Limitations. The Certificate of Incorporation of [Armour] authorizes the issuance of 550,000 shares of \$4.75 Preferred Stock, par value \$100 per share, of which 526,352 shares were issued and outstanding as of January 27, 1968. Dividends on the \$4.75 Preferred Stock are cumulative, to the extent not paid, and the stock is entitled to the benefits of mandatory annual cumulative sinking fund payments from and after September 1, 1971, in an amount per year sufficient to redeem 6,000 shares at par plus accrued and unpaid dividends. Previously purchased shares of \$4.75 Preferred Stock may also be used to satisfy the sinking fund requirement.

"If and so long as [Armour] may be in default with respect to any dividend or sinking fund payment on the \$4.75 Preferred Stock, it may not pay any dividends (other than dividends payable in junior stock) or make other distributions on junior stock or acquire shares of junior stock for a consideration.

"When, if ever, dividends on the \$4.75 Preferred Stock shall be in arrears, in whole or in part, as to each of six quarterly dividends, whether or not consecutive, holders of the \$4.75 Preferred Stock have the exclusive right, voting separately as a class at the next annual meeting of stockholders, and annually thereafter, to elect two Directors in addition to those elected by other classes of stockholders. Such right of election and the existence of such additional directorships shall continue until such time as all cumulative dividends in arrears have been paid in full. The holders of least 10% of the \$4.75 Preferred Stock may require that a special meeting of the holders be called to elect such additional Directors if the described arreat ages shall occur more than 90 days prior to the date fixed by the By-Laws for the next annual meeting of stockholders.

"[Armour], without the approval of at least a majority of the then outstanding \$4.75 Preferred Stock, voting as a class, or the unanimous written consent of such stock, may not create, issue or

forcease any class or series of stock ranking on a parity with the \$4.75 Preferred Stock either as to divide the or liquidation rights. [Armour], without the approval of at least two-thirds of the then obstanding \$4.75 Preferred Stock, voting as a class, or the unanimous written consent of such alock, may not

- "(a) alter materially any existing provision of the \$4.75 Preferred Stock,
- "(b) create, issue, or increase any class or series of stock ranking prior to the \$4.75 Preferred Stock either as to dividends or liquidation rights, or increase the authorized amount of the \$4.75 Preferred Stock, or
- "(c) sell, lease or convey all or substantially all [Armour's] property or business; or voluntarily liquidate or dissolve; or merge or consolidate unless the holders of the \$4.75 Preferred Stock will thereupon hold substantially equivalent stock of the resultant company.

"No such approval or consent will be required, however, for issuance either of senior or parity stock for the purpose of redeeming all the \$4.75 Preferred Stock.

"Except as described above, the \$4.75 Preferred Stock has no voting rights. It has no preemptive rights and no conversion rights, and is not liable for further calls or subject to assessment.

"The Certificate of Incorporation of [Armour] also authorizes, in the discretion of the Board of Directors, the issuance of 350,000 shares of Series Preferred Stock of \$100 par value, none of which has been issued. If any of such shares are issued, they may be preferred, both as to earnings and assets, over the Common Stock and the issuance thereof might impose additional restrictions on the payment of dividends on the Common Stock.

"Other Rights. In the event of any liquidation, dissolution or winding up of [Armour], the holders of the \$4.75 Preferred Stock are entitled to receive an amount equal to the accrued and unpaid dividends thereon plus, on involuntary liquidation, \$100 per share, or on voluntary liquidation, the lesser of \$102 per share or the then current redemption price. After the holders of the \$4.75 Preferred Stock have been paid in full the amounts to which they are entitled, and subject to the rights of the holders of any Series Freferred Stock at the time outstanding, the remaining net assets of [Armour] or the proceeds thereof are distributable to the holders of the Common Stock.

"Holders of Common Stock have no preemptive rights and no conversion rights. The Common Stock is not redeemable by [Armour], and is not liable for further calls or subject to assessment."

### Armour Financial Statements

The following financial statements of Armour appeared in Armour's May 3, 1968 Registration Statement. Note references in such financial statements are to the Notes to Armour's Financial Statements which appeared in such Registration Statement and are reprinted herein.

## ARMOUR AND COMPANY CONSOLIDATED STATEMENT OF EARNINGS

		1	iscal years end	ed	
	"October 28, 1967	October 29, 1966	October 30, 1965	October 31, 1964(1)	November 2, 1963(1)
		(in tho	usands of do	llars)	
Sales, including service revenues	\$2,156,724 3,975	\$2,280,276 2,944 2,217	\$2,061,735 2,072 1,040	\$1,890,648 1,812 527	\$1,814,524 2,257 399
Other income	2,218	2.285,437	2,064,847	1.892.987	1,817,180
		1.582.293	1,427,131	1,282,457	1,242,239
Cost of materials (Notes 1 and 2)	1,442,311 464,254	446,492	411,127	391,710	374,584
Wages, supplies and operating expenses	150,396	152,013	136,251	130,271	125,215
Depreciation (Note 11)	22,530	20,401	17,530	15,517	13,895
Employee pension plans (Note 14)	15,309	14,498	11,871	9,681	8,695
Interest expense	11,053	9,580	7,468	7,702	6,642
Taxes (other than Federal income taxes)	22,324	21,648	16,400	17,078	16,238
Taxes (order time)	2,128,177	2,246,925	2,027,778	1,854,416	1,787,508
Earnings before Federal taxes on income	34,740	38,512	37,069	38,571	29,672
Provision for Federal taxes on income and related charges: Federal incomes taxes (Note 6)	6,007	12,038	6,912	11,787	6,089
Deferred Federal incomes taxes on difference between fuzziel and tax expense (Notes 7 and 11)	3,141	3,513	4,050	2,803	4,940
Charge equivalent to Federal income tax deferral arising from investment credit				-	465
expenses in closing and replacement of facilities (Note 7) and in 1967 settlement of certain liabilities which arose prior to the date of the BLH merger (Note 1)	3,32 <b>7</b>	13,840	3,675 14,637	1,161 15,751	approximate and the second sec
Earnings before extraordinary items Extraordinary items (Note 7)	22,265	24,672	22,432	22,820	16,360
Gain (loss) on sale of facilities, less Federal income tax of \$1,711 in 1966 and less Federal income tax reductions of \$3,377 in 1965  Charge in connection with replacement or relocation	-	1,534	(4,204)		-
of facilities, less anticipated Federal meome tax	11111	(24,000	)	40-14	
reduction of \$15,000	\$ 22,26	and the second s	AND DESCRIPTION OF THE PERSON NAMED IN COLUMN TWO IS NOT THE PERSON NAMED IN COLUMN TWO IS NAMED IN COLUM	\$ 22,820	\$ 16,360
Net earnings	and the same and t			-	
Applicable to Common Stock after deducting Preferred Stock dividend requirement.		5 \$ 22.172	\$ 21,532	\$ 22,82	0 \$ 16,366
Earnings before extraordinary items Net earnings (loss) Per Share of Common Stock:	* * * * * * * * * * * * * * * * * * * *	5 (294	17,328	22,82	
Earnings before extraordinary items(2)  Net earnings (loss) (2)  Cash dividends declared (3)  Stock dividend declared	1.6	0.04	4) 2.51	3.7	0 2.6
Pro. forma per share earnings of Common Stock assuming exercise of stock options and conversion of 4½% convertible dependings (2):	,				
Earnings before extraordinary items					

"(1) Fiscal years 1963 and 1964 have been restated to include company acquired in 1965 in a pooling of interests.

"(1) Fiscal years 1963 and 1964 have been restated to include company acquired in 1965 in a pooling of interests.

See Note 1 to the Financial Statements.

(2) Per share data are based on weighted average number of common shares issued after recognition of the dividend requirements on the \$4.75 preferred stock.

The pro forma per share data are based on the assumption that (1) the 4½% convertible subordinated debentures outstanding at year end had been converted into Common Stock, with the related interest paid on the convertible debentures (less applicable income tax) being eliminated and (2) the stock options outstanding at year end had been exercised, with the proceeds therefrom earning interest (less applicable income tax) at the prime rate.

(3) Cash dividends declared per share of Common Stock have been adjusted in 1963-1965 to give effect to the 10% stock dividend paid in 1965. The amounts are exclusive of dividends paid by pooled companies.

NOTE: See comments under "Recent Developments" on page 7.

"It is expected that earnings for the 6 months ending April 27, 1968, will be somewhat less than those reported for the 6 months ended April 29, 1967, primarily because of depressed earnings of Armour Agricultural Company, a wholly-owned subsidiary. As indicated under the heading Recent Developments, [Armour] has entered into a contract for the sale of the assets and business of this subsidiary.

# "CONSOLIDATED STATEMENT OF FINANCIAL POSITION "October 28, 1967

## "(in thousands of dollars)

"CURRENT ASSETS:		\$ 32,393
Notes and accounts receivable (less allowance for doubtful notes and accounts—		
62 170\ (Note 7).		
Notes receivable	\$ 21,968	147.003
Accounts receivable	145,935	167,903
"INVENTORIES:	163,315	
Products and in process and finished manufactured goods (Notes 1 and 2)	37,652	200,967
Supplies and manufacturing raw materials		401,263
Total current assets		67,176
"Investments (Notes 3 and 9)		
"Programme Equipment (Notes 11 and 12):	24,215	
Land, st c st	371,879	
Buildings, machinery and fixed equipment, at cost	(203,603)	
Accumulated depreciation		
Accumulated depreciation  Automotive and other movable equipment, at cost less accumulated depreciation of  \$14,461	18,519	211,010
*Deferred Charges (Note 4)		12,528
"Deferred Charges (Note 4)		\$691,977
"CURRENT LIABILITIES:		\$ 30,067
Notes payable		61,568
Accounts payable		13,830
Accrued liabilities Federal income taxes		6,081
Federal income taxes  General and payroll taxes		5,183
Long term obligations payable within one year (Note 5)		5,070
Total current liabilities		121,799
"Long Term Debr (Note 5)		86,894
"Subordinated Long Term Debt (Note 5)		81,460
"Sueordinated Long Term Debt (Note 5)  "Reserves and Deferred Credits:		
Anticipated costs related to replacement or relocation of facilities (net after Federal		
income taxes of \$12.563) (Note 7)	4	
Defend Federal income taxes (Note 7)	29,674	FF 70F
Credit arising from merger (Note 1)	7,756	55,795
4C TOOK HOLD DEDS' FOUTTY:		
\$4.75 Preferred stock, par value \$100 per share—authorized 550,000 shares, issued	52,635	
#24 272 shares (Note 8)	50,000	
Common stock, par value \$5 per share—authorized 15,000,000 shares, issued 7,572,364	37,862	
shares (Notes 8 and 9)  Capital in excess of par value (per accompanying statement)	127,909	
Earnings employed in the business (per accompanying statement) (Note 10)	. 127,623	346,029
	decision or second del	
COMMITMENTS (Note 12)		\$691,977
		The state of the s

"(See notes to financial statements)

## ONSOLIDATED STATEMENTS OF CAPITAL IN EXCESS OF PAR VALUE AND EARNINGS EMPLOYED IN THE BUSINESS

"For the Three Fiscal Years Ended October 28, 1967
"(in thousands of dollars)

		"Fiscal years ended		
	"October 28,	October 29, 1968	October 30, 1965	
"CAPITAL IN EXCESS OF PAR VALUE				
Balance at beginning of the year	\$127,696	\$127,504	\$ 51,589	
Excess of proceeds over par value of Common Stock issued in connection with:				
Exercise of purchase warrants (expired December 31, 1964)			1,174	
Exercise of employe stock options	213	192	292	
Rights offering subscriptions			21,525	
Excess of market value over par value of Common Stock issued in payment				
of 10% stock dividend			24,500	
Experience leading received over par value of Common Stock issued in				
augus stop a BLH (Note 1)	-	-	28,422	
Excess of principal amount of 4½% Convertible Subordinated Debentures converted over par value of Common Stock issued and cash paid for				
fractional interests	40.00		2	
Balance at end of the yea	\$127,909	\$127,696	\$127,504	
"EARNINGS EMPLOYED IN THE BUSINESS				
Balance at beginning of the year	\$119,919	\$132,262	\$152,786	
Net earnings per consolidated statement of earnings	22,265	2,206	18,228	
Cash dividends:				
On Preferred Stock-\$4.75, \$4.75 and \$1.491 per share, respectively	(2,500)	(2,500)	(785)	
On Common Stock-\$1.60, \$1.60 and \$1.56 per share, respectively, as				
adjusted in 1965 for the 10% stock dividend	(12,061)	(12,049)	(10,674)	
Stock dividend—10% in Common Stock		-	(27,293)	
Balance at end of the year (Note 10)	\$127,623	\$119,919	\$132,262	

"(See notes to financial statements)

## "For the Three Fiscal Years Ended October 28, 1967

#### - BASIS OF CONSOLIDATION :

The consolidated financial statements include the accounts of the Company, wholly-owned domestic companies and one small wholly-owned foreign company. The Company carries its investment in consolidated subsidiary companies and in a con-consolidated Canadian subsidiary company at an amount equal to its equity in the net worth of such companies.

No individual or group financial statements are included for non-consolidated subsidiaries and fifty-percent owned persons, which are principally foreign companies. Considered in the aggregate as a single subsidiary, these companies would not constitute a significant subsidiary.

In 1965 and 1963 the Company issued, respectively, 83,455 and 107,284 shares of Common Stock in poolings of interests. The consolidated statement of earnings for the fiscal years 1965 and 1963 includes the operations of the respective pooled companies for the entire year. Financial statements and financial information have been restated wherever applicable to include the model companies.

On July 2, 1963, i.e. Co. party acquired Boldwin Lima-Hamilton Corporation (BLH). At that date the net book value of accrete at BH except 1 the corresponding paid by \$21,718,639, a portion— high was recorded as additional access as presenting and the bolding as a bettered credit. Net earnings for 1967, 1966 and 1965 includes \$2,711,556, \$3,000 and 20,000 are a 973,783, respectively representing reductions in depreciation expense and pro-rata portions of the deferred credit which is being anioritized over a period of seven and one-half years. During 1967 the deferred credit was charged with \$963,628 after Federal means has reduction of \$889,400, in respect of the settlement of liabilities which arose prior to the date of the merger, the amount of which was indeterminable at that time. The tax reduction of \$889,400 decreased the Company's estimated redecal means are hability for the 1967 fiscal year by such amount.

Intercompany and intracompany process included to the barreing value of inventories due principally to the methods of pricing certain items of the methods is the barreing value of inventories due principally to the methods of pricing certain items of the methods of this in quanticable to determine the amount of such profits.

## "Note 2-Inventories:

Inventories are priced as follows: exchang stems, primarily pork, at cost on the basis of "last-in, first-out", other items at the lower of cost (principally consent standards) or market and the balance at market less allowance for selling expense. The amounts of products with an process and finished manufactured goods inventories entering into the computation of cost of goods sold were as rollows: October 28, 1967—\$163,314,825; October 29, 1966—\$165,532,112; October 30, 1965—\$133,480 489 and October 31, 1964—\$110,114,011.

### "Note 3-Investments:

The Company's investments at October 28, 1967, consist of the following, carried at cost or less:

Kalium Chemicals Limited(1)	¢12 135 086
	φιω,ισσ,υσσ
International Packers Limited:	
Common Stock (757,594 shares)	
51/4 % debentures	2,203,400
Shellstar Limited(1) (Note 12)	19,236,988
Long term receivables	12.836,099
Other (Note 9)	6,907,106
	£07,175,700
	Service in Research Control

<sup>&</sup>quot;(1) See comments under "Recent Developments" in the text of the [Arn acc. Prospectus.

"The International Packers Limited (IPL) debentures, which are traded on de New York Stock Exchange, or convertible into IPL common stock at \$10 per share. Aggregate market value at Occober 28, 1967, of these debentures is \$2,534,000.

"In 1966 the Company agreed to certain restrictions for an eight-year period on any disposition of IPL stock, such restrictions being designed to insure broad distribution of those shares. Market value of the shares held by the Company at October 28, 1967, is approximately \$7,480,000. The equity attaching to the Company's investment in common stock of IPL is approximately \$14,250,000.

#### "NOTES TO FINANCIAL STATEMENTS-(Continued)

#### Nove 4-Defensed Charges:

Deferred charges include, among other things, intangible assets representing the unamortized cost of trademarks, trade names, etc., which are being amortized on a net of tax basis over a period of twenty years. Changes in such intangible assets during the 1967 fiscal year were as follows:

Balance, October 29, 1966	\$10,011,730
Provision for amortization, charged to earnings	(259,379)
Abandonments charged to Reserve for anticipated costs related to replace-	
ment or relocation of facilities	(24,267)
Transferred to Plant and Equipment	(25,000)
Balance, October 28, 1907	\$ 9,703,084

At October 28, 1967, deferred charges are stated net of \$640,000 of deferred income representing unamortized 1962 investment credit, which is being reflected in earnings over the estimated useful lives of the related assets.

### " F T T G TERM OBLIGATIONS:

Le g --- obligations outstanding at October 28, 1967, and maturities and sinking fund requirements for the 1968 Sseal year are as follows:

Loug Term Dubt	Amount authorized by indentures	1968 maturities included in current liabilities	Non-current maturities
First Mortgage 23/4% Sinking Food Bonds, Series F., due July 1, 1971	\$50,000,000	\$ -	\$ 12,000,000
First Mortgage 3% Sinking Fund Bands, Series G, due July 1, 1971	12,000,000	240,000	8,046,000
Notes Payable—Banks	60,000,000		60,000,000
Equipment lease obligations		2,634,911	6,848,193
		2,874,911	86,894,193
Subordinated Long Term Debt			
43/2% Convertible Subordinated Debentures, due September 1, 1983	32,648,300	-	32,645,600
5% Cumulative Income Subordinated Debentures, due November 1, 1984	60,000,000	2,195,120	48,314,400
		2,195,120	81,460,000
		\$5,070,031	\$168,354,193

Long term debt sinking fund requirements under the first mortgage bonds amount to \$4,240,000 for each of the fiscal years 1969 and 1970 and \$11,566,000 upon maturity in 1971. The amounts of equipment lease obligations payable for these years are not presently determinable. Subordinated long term debt sinking fund requirements amount to a maximum of \$2,195,120 for each of the fiscal years 1969 through 197, and \$3,845,120 for 1972.

Notes payable-banks are borrowings made under a \$60,000,000 revolving bank credit agreement. Interest is payable on unpaid balances to April 1, 1969, at the prime rate applicable to commercial bank loans. On that date the Company may elect to convert any portion of the total into 5% term notes, payable in eight equal semi-annual installments to April 1, 1973. Future maturities under this agreement are not presently determinable.

The 4½% Convertible Subordinated Debentures are convertible into shares of the Company's Common Stock prior to September 1, 1983, at a current conversion price of \$51.14 principal amount of debentures for each shall of stock, with anti-dilution provisions.

#### "Note 6-INVESTMENT CREDIT:

The provision for Federal income taxes for the 1967 fiscal year has been reduced by \$1,518,100 as a result of the investment credit provisions of the Revenue Acts of 1962 and 1964, of which \$1,358,100 is attributable to qualified 1967 additions and \$160,000 to amortization of the 1960 investment credit.

## "NOTES TO FINANCIAL STATEMENTS-(Continued)

## 7 -RISERVES AND EXTRAORDINARY ITEMS:

The Company provides for deferred Federal income taxes on the accumulated difference between depreciation caln lease expenses recorded for financial reporting purposes and relative amounts claimed as deductions for al income tax purposes. During the 1967 fiscal year, the reserve for deferred Federal income taxes changed as follows:

Balance, October 29, 1966	\$26,533,000
Provision for 1967, charged against earnings	3,141,000
Balance, October 28, 1967	\$29,674,000

Subsequent to the end of the 1966 fiscal year, the Company undertook a modernization program that will encompass the replacement or relocation of some of its food and fertilizer facilities. The extraordinary item charge of \$24,000,000, after anticipated Federal income tax reduction of \$15,000,000, in the consolidated statement of earnings for 1966 gives accounting recognition to losses on disposition of facilities and separation pay anticipated in connection with this program. The provision for anticipated charges is reflected as a reserve in the consolidated statement of financial position. Charges to the reserve account during the 1967 fiscal year amounted to \$3,414,611 for losses on disposition of facilities and \$2,221,0% for separation payments and other closing costs, after Federal income tax reductions of \$2,437,300. The tex refuce a of \$2,437,300 decreased the Company's estimated Federal income tax liability for the 1967 fiscal year

During the 1966 fiscal year the C. many sold its food oil refineries in Kankakee, Illinois, Chattanooga, Tennessee and Fort Worth, Texas. The gain co the sale of these facilities less employment separation payments, amounting to \$1,533,720 after Federal income tax provision of \$1,711,000, was credited as an extraordinary item. The tax provision of \$1,711,000 increased the Company's estimated Federal income tax liability for the 1966 fiscal year by such amount.

The Company follows the reserve method of providing for doubtful receivables for Armour Agricultural Chemical Company, Armour Leather Company and BLH. In its other operations the Company writes off doubtful accounts when deemed uncollectible.

## "NOTE 8-CAPITAL STOCK:

At October 28, 1967, there were 638,357 and 241,418 authorized but unissued shares of Common Stock reserved for issuance, respectively, upon conversion of the Company's 41/2% Convertible Subordinated Debentures and pursuant to stock options granted or authorized to be granted to certain officers and employes of the Company. Also at October 28, 1967, there were 28,873 shares of Common Stock held in the Company's treasury available for delivery upon exercise of stock options granted to certain officers and employes of the Company.

There were no changes during the 1967 fiscal year in Preferred Stock issued. During the year shares of Common Stock issued increased as follows:

	of shares
Issued October 29, 1966	7,562,899(a)
Exercise of employe stock options	9,466
Scrip certificates expired	(1)
Issued, October 28, 1967	7,572,364(a)

<sup>(</sup>a) Includes 28,876 and 28,875 shares held in the Treasury at October 29, 1966 and October 28, 1967, respectively.

In 1960 the Company's stockholders authorized the issuance of 350,000 shares of \$100 par value Series Preferred Stock, none of which has been issued.

## "Note 9-Stock Options and Treasury Stock:

Stock options have been granted to certain officers and employes to purchase shares of Company Common Stock for periods of five or ten years from the dates of grant. Option prices are equal to 100% or 95% of market value at these dates.

#### "NOTES TO FINANCIAL STATEMENTS -- (Continued)

incomplete basis. All options contain adjustment provisions for mergers and recapitalizations, and those granted on and after recember 7, 1961, also contain anti-dilution provisions for stock dividends. Where applicable, the following tabular no of shares under option and of shares with respect to which options became exercisable give effect to a 10% stock dividend paid February 1, 1965.

The number of shares under option at October 28, 1967, and the option price and fair market value per share and in total at the dates the options were granted are summarized as follows:

Fiscal year of granted shares	Opti	on price	Fair market value		
	of	Average per share	Total	Average per share	Total
1959	990	\$22.49	\$ 22,266	\$23.67	\$ 23,438
1962	67,458	39.75	2,681,742	41.85	2,822,887
1963	23,520	37.32	877,662	39.28	923,855
1964	23,540	41.86	985,320	42.43	998,881
1905(1)	36,100	29.17	1,052,857	37.52	1,354,370
966	19,600	44.83	878,700	44.83	878,700
1967	500	29.25	14,625	29.25	14,625
	171,708		\$6,513,172		\$7,016,756

(1) Includes 31,200 shares, at an average option price of \$27.21, granted at the date of merger of BLH into the Company in substitution for BLH options then outstanding. The fair market value of the Company's Common Stock at the merger date was \$36.875 per share.

Options for 120,703 shares were exercisable at October 28, 1967. The remaining options become exercisable in installments up to 1973, except for 990 shares which became exercisable upon attainment of specified incentive conditions.

The number of shares with respect to which options to came exercisable during the three fiscal years ended October 28, 1967, and the option price and taix market value per share and in total on the dates the options became exercisable are summarized as follows:

Fiscal year exercisable		Option price		Fair market value	
	Number of abares	Average per share	Total	Average per share	Total
1965	55,126	\$34.09	\$1,879,043	\$42.34	\$2,334,294
1966	41,727	39.42	1,645,041	40.45	1,687,947
1967	20,774	36.17	751,328	34.04	707,216
	117,627		\$4,275,412		\$4,729,457

The number of shares with respect to which options were exercised during the three fiscal years ended October 28, 1967, and the option price and fair market value per share and in total on the dates the options were exercised are summarized as follows:

		Opti	on price	Fair market value	
Fincal year exercised	Number of shares	Average per share	Total	Average per share	Total
1965	27,550	\$29.26	\$ 806,237	\$51.76	\$1,425,895
1966	10,279	29.72	305,511	43.11	443,083
1967	9,466	27.49	260,214	35.16	332,79 <b>7</b>
	47,295		\$1,371,962		\$2,201,776

## "NOTES TO FINANCIAL STATEMENTS-(Continued)

t October 28, 1967, the Company held in its treasury 28,873 shares of its Common Stock available for delivery exercise of certain options. These shares are included in investments at the lower of cost or option prices, expregating \$750,723. Additional shares needed as a result of the exercise of options granted or authorized to be granted will be provided from 241,418 shares of unissued stock reserved for that purpose at October 28, 1967. At October 28, 1967, there were 83,185 remaining shares authorized for optioning under the Company's stock option plan. The excess of cost over option price of the shares acquired has been charged to earnings.

For further information as to stock options reference is made to the text of the Prospectus.

#### "Note 10-Appropriated Earnings Employed in the Business:

At October 28, 1967, earnings employed in the business includes appropriations aggregating \$763,389 which had changed as follows during the three fiscal years ended on that date, all in accordance with the provisions of the applicable debt indentures.

	Appropriat	ion for
	Fayment of Interest and sinking fund on 3½% subordinated debentures	Retirement of %% subordinated debentures
Balance, October 31, 1964	\$4,739,280	\$766,340
Fiscal year:		
1965	(379,470)	782
1966	(4,359,810)	(7,925)
1967		4,192
Balance, October 28, 1967	\$	\$763,389

#### "Note 11-Plant and Equipment and Depreciation

Changes in plant and equipment during the 1967 fiscal year were as follows:

	Balance October 29, 1966	Additions and renewals, at cost	Retirements or sales	Balanca October 28, 1967
Land	\$ 23,714,709	\$ 1,485,602	\$ (985,717)	\$ 24,214,594
Buildings	119,135,325	5,935,336	(4,385,069)	120,685,592
Machinery and fixed equipment	235,611,608	21,148,992	(12,952,119)	243,808,481
Construction in progress	6,397,653	987,588		7,385,241
	384,859,295	29,557,518	(18,322,905)	396,093,908
Automotive and other movable equipment, less accumulated depreciation	17,377,208	7,738,458	{ (2,564,098) (4,032,594)(1)}	18,518,974
	\$402,236,503	\$ 37,295,976	\$(24,919,597)	\$414,612,882
			And the second property of the second	College of the colleg

<sup>&</sup>quot;(1) Depreciation credited directly to asset accounts.

"Changes in accumulated depreciation for buildings, machinery and fixed equipment during the 1967 fiscal year were as follows:

	Buildings	Machinery and fixed equipment	Total
Balance, October 29, 1966	\$ 67,899,011 4,512,126 (2,267,241)	\$128,464,417 13,984,909 (8,990,187)	\$196,363,428 18,497,033 (11,257,428)
Balance, October 28, 1967	\$ 70,143,896	\$133,459,139	\$203,603,035

"For financial reporting purposes the Company computes depreciation charges generally on the individual item straight-line method using rates which it is anticipated will amortize the cost of such properties over their useful lives. However, a subsidiary provides depreciation on the composite method by use of the sum-of-the-years digits method

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## "NOTES TO FINANCIAL STATEMENTS-(Continued)

eligible depreciable property acquired after January 1, 1954, and by the straight-line method for all other depreciable property, principally computed by reference to remaining lives for the several groups. The ranges of depreciation rates per year generally are:

Buildings	2%	to	5%
Machinery and fixed equipment	41/2%	to	20%
Automative and other movable equipment	41/2%	to	25%

Depreciation charges for Federal income tax purposes are computed under both straight-line and accelerated methods using Treasury Department guideline lives for most assets.

The policy of the Company is to capitalize the cost of all additions, improvements and major renewals which substantially extend the useful life of the particular asset and to charge repairs and maintenance to operations. The gross carrying value of renewed assets and the related accumulated depreciation are eliminated from the accounts and any resulting profit or loss is reflected in operations. Generally, the gross carrying value and the related accumulated depreciation of properties sold or otherwise disposed of are eliminated from the property accounts. Profits or losses on such sales or other empositions incurred in the normal course of business are reflected in operations. However, in the case of a subsidiary, gain or loss on retirements is generally recognized only on fully-depreciated items or on abnormal retirements, on normal retirements, the cost of the asset, net of salvage, is charged to the reserve for depreciation. Profits or losses incurred on dispositions of properties in connection with the Company's modernization program are credited or charged to the "Reserve for anticipated costs related to replacement or relocation of facilities" (see Note 7).

#### "Note 12-Commitments and Long Term Leases:

In 1965 the Company acquired a 50% interest in Shellstar Limited, a United Kingdom company that conducts agricultural chemical operations. The Company has a commitment to invest an additional \$4,000,000 in Shellstar and to guarantee up to \$27,000,000 in borrowings of Shellstar in connection with an expansion program scheduled to be completed in 1969. At October 27, 1967, borrowings guaranteed by the Company were \$12,000,000.

Rent expense for real property under long term leases for 1967 amounted to approximately \$4,140,000 and under existing leases will approximate that amount for the next five years. These leases extend for varying periods up to twenty-nine years, with the Company obligated under most leases to pay for insurance, maintenance and other costs of operating the properties.

The Company holds automotive and other equipment under leases having relatively short terms. Additions under these leases have been capitalized (beginning in 1966), with the lease obligations reflected as liabilities in the consolidated statement of financial position.

## "Note 13-Supplementary Profit and Loss Information:

Depreciation is shown separately in the consolidated statement of earnings. There were no management or service contract fees or significant amounts of royalties paid during the three fiscal years ended October 28, 1967. Other supplementary profit and loss information is as follows:

		Fiscal years ended	
	October 28, 1967	October 29, 1966	October 30, 1965
Maintenance and repairs (Note 11)	\$38,769,033	\$38,357,179	\$32,620,447
Taxes (other than Federal income taxes):		;	-
Payroll	\$13,734,320	\$12,865,154	\$ 8,992,653
Real estate and personal property	5,230,583	5,069,560	4,522,960
Other	3,358,795	3,712,815	2,884,505
	\$22,323,698	<b>\$21,647,</b> 529	\$16,400,118
Rents	\$13,608,777	\$13,710,089	\$13,764,040
	AND CONTRACTOR OF THE OWNER OF THE OWNER, WHEN	ALTERNATION OF THE PROPERTY OF	Commence of the second second

These expenses are charged directly to profit and loss, but none are charged to cost of materials in the consolidated statement of earnings.

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## "NOTES TO FINANCIAL STATEMENTS-(Continued)

"Note 14-Employes' Pension and Retirement Plans:

The Company's Salaried Employes' Pension Plan, originally established in 1911, provides for the payment of pensions to salaried employes (not including members of the Board or Executive Committee as acres) who make regular contributions to a trust fund maintained for their benefit. The Company from time to the charkes contributions to the Plan, in such amounts and at such times as may be determined by the Board of Directors, but no part thereof is paid or set aside for the account or benefit of any individual person. Annual pensions are computed on the basis of 1% of the average salary paid during the 5 consecutive years of highest salary for each year of continuous service, plus, upon additional contributions from individuals whose salaries are in excess of \$10,000 a year, a supplemental pension, and under present Company practice an additional benefit, totaling 4/10 of 1% of such average salary in excess of \$10,000 a year for each year of continuous service. It is estimated by the actuaries for the Company that the unfunded past service liability under the plan as of January 1, 1967, amounts to approximately \$37,475,000 and that assets of the pension fund are in excess of vested benefits.

A noncontributory Retirement Plan, established by the Company in 1957, provides for retirement payments to salaried employes (not including members of the Board or Executive Committee, as such) who entered salaries service prior to May 1, 1961, and at the time of entry were between the ages of 40 and 55 in the case of men and 35 and 50 in the case of women, who were not then eligible to participate in the Company's Salaried Employes' Pension Plan, and who, at the time of retirement, have had ten years or more of continuous service. Annual retirement payments are computed on the basis of 7/10 of 1% of the average salary paid during the 10 consecutive years of highest salary for each year of continuous service. Benefits are integrated with those of the Salaried Employes' Pension Plan for those employes who are eligible to receive benefits under both plans, so that such employes do not receive benefits under both plans for the same years of service. No fund is established by the Plan and the retirement payments provided are paid by the Company only as they may accrue. Payments under the Plan aggregated approximately \$300,300 in 1967, \$284,400 in 1966 and \$271,600 in 1965.

A noncontributory pension plan was established in 1952 under contracts with the United Packinghouse, Food and Allied Workers AFL-CIO and the Amalgamated Meat Cutters and Butcher Workmen of North America AFL-CIO. The plan covers the employes who are members of these two unions, certain other groups of employes under union contracts, and certain other employes who are not members of any bargaining unit and are not eligible to participate in the pension plan for salaried employes. The Company is required, until expiration of the most recent contracts with the above two unions on August 31, 1970, to pay to the Pension Fund, established pursuant thereto, annually in any year when such payments qualify as deductions under the Internal Revenue Code, a contribution equal to the sum of (1) current service costs and (2) an amount sufficient to fund the past service costs in equal annual amounts, in full, by September, 1997. It is estimated that the unfunded past service liability under the plan as of January 1, 1967, amounts to approximately \$47,300,000, and that vested benefits, computed on the basis of revisions in benefit levels first effective January 1, 1968, exceeded pension assets by approximately \$57,000,000.

In addition to the above, a subsidiary of the Company has noncontributory pension plans in effect covering substantially all its hourly-paid employes which were negotiated with the Unions representing the respective groups of employes. This subsidiary also has a contributory pension plan covering its salaried employes. It is estimated that the unfunded past service liabilities of these pension plans as of December 31, 1966, amounts to approximately \$30,656,000 and that the excess of vested benefits over pension fund assets was approximately \$17,000,000."

## Armour Financial Statements for 1968

The following financial statements of Armour, certified by independent accountants, appeared in Armour's Annual Report to stockholders for 1968. Note references in such financial statements are to use Notes to Armour's Financial Statements which appeared in such Annual Report and are reprinted herein.

## ARMOUR AND COMPANY

## "ACCOUNTING AND FINANCIAL PRINCIPLES

"The following briefly describes certain of the Company's accounting and financial principles which have been consistently followed in the years reported and should be read as an integral part of the financial statements.

## "Basis of Consolidation

The consolidated financial statements include the accounts of the Company, majority and wholly-owned domestic companies and one small wholly-owned foreign company.

## "Inventories

Inventories are priced as follows: certain items, primarily pork, at cost on the basis of 'last-in, first-out,' other items at the lower of cost (principally current standards) or market and the balance at market less allowance for selling expense.

## "Depreciation

In general, depreciation is recorded in the accounts of the Company over the estimated useful lives of the assets, computed on an individual item, straight line method. For Federal income tax purposes, accelerated and straight line methods are used, based on Treasury department guide-line lives for most assets. The resulting reduction in taxes currently payable is credited to deferred Federal income taxes in the consolidated statement of financial position.

## "Plant and Equipment

The cost of all additions, improvements and major renewals which substantially extend the useful life of the particular asset are capitalized. Repairs and maintenance are charged to operations. Automotive and other equipment acquired under relatively short term leases have been capitalized (beginning in 1966), with the lease obligations reflected as liabilities in the consolidated statement of financial position.

## "Investment Credit

The reduction in Federal income taxes resulting from the investment tax credit related to each year's qualified property additions is reflected as a reduction of the respective year's provision for Federal income taxes."

## "CONSOLIDATED STATEMENT OF EARNINGS

	Dollars in	Thousande
	53 weeks ended Nov. 2, 1968	52 weeks ended Oct. 28, 1967
"Revenue		
Sales, including service revenues	\$2,096,402	\$2,156,724
Other income	6,921	6,193
	2,103,323	2,162,917
***		
"Costs		
Cost of products, supplies and services	1,844,688	1,906,565
Selling and administrative expenses	144,868	150,396
Depreciation	18,393	22,530
Employe pension plans (note 8)	17,229	15,309
Interest expense	10,168	11,053
Taxes (other than Federal income taxes)	20,324	22,324
	2,055,670	2,128,177
"Earnings from operations before Federal income taxes and minority interest	47,653	34,740
"Provision for Federal income taxes (note 9)	(21,670)	(12,475)
"Minority interest in net earnings of Armour-Dial, Inc	(739)	
"Earnings before extraordinary loss	25,244	22,265
"Extraordinary loss (note 1)	(13,215)	
"Net Earnings	\$ 12,029	\$ 22,265
"Per share earnings of common stock based upon weighted average number of common shares outstanding after recog- nition of preferred stock dividend requirements		
"Primary earnings		
Before extraordinary loss	\$3.15	e2.61
Extraordinary loss	(1.83)	\$2.61
Net earnings	1.32	2.61
"Fully diluted earnings		2.01
after giving effect to the assumption that (1) the 4½% convertible subordinated debentures and stock options outstanding at each year end had been converted or exercised at the beginning of the year and added to outstanding common shares, (2) interest (less applicable income tax) on the debentures has been added to earnings and (3) funds obtained from the exercise of stock options were invested at the prime rate and the earnings thereon (less applicable income tax) added to earnings		
Before extraordinary loss	2.95	2.48
Extraordinary loss	(1.65)	
Net earnings	1.30	2.48"
**		

<sup>&</sup>quot;(see notes to financial statements)"

## "CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## "ASSETS LESS CURRENT LIABILITIES

	Dollars in Thousands	
	November 2, 1968	October 28, 1967
"Current assets		
Cash, including certificates of deposit	\$ 41,200	\$ 32,393
Accounts and notes receivable (less allowance for doubtful accounts \$2,748 in 1968 and \$2,179 in 1967)	125,926	167,903
Inventories		
Products and in process and finished manufactured goods	137,288	163,315
Supplies and manufacturing raw materials	35,942	37,652
	340,356	401,263
"Current liabilities		
Notes payable	767	30,067
Accounts payable and accrued liabilities	75,447	80,581
Federal income taxes	13,557	6,081
Long term obligations payable within one year (note 4)	6,645	5,070
	96,416	121,799
"Working capital	243,940	279,464
Current ratio	3.53	3.29
"Investments (notes 3, 7 and 10)	69,651	67,176
"Plant and equipment		
Land, at cost	6,607	24,215
Buildings, machinery and fixed equipment, at cost		371,879
Accumulated depreciation		(203,603)
Automotive and other movable equipment, at cost less accumulated depreciation		18,519
ESESSATIONET WING CHIEF THE CONTROL OF THE CONTROL	138,378	211,010
"Deferred charges (includes trademarks, trade names, etc., less amortization)	12,084	12,528
"Total assets less current liabilities		\$570,178

## "LONG TERM OBLIGATIONS AND STOCKHOLDERS' EQUITY

	Dollars in	Thousands
	November 2, 1968	October 28, 1967
"Long term debt (note 4)	gr. 4000000000000000000000000000000000000	,
First Mortgage 23/4% Sinking Fund Bonds, Series F, due July 1, 1971	\$ 6,000	\$ 12,000
First Mortgage 3% Sinking Fund Bonds, Series G, due July 1, 1971	7,806	8,046
Notes Payable—Banks	24,000	60,000
7½% Furchase Money Note, due January 11, 1971	3,000	
Equipment lease obligations	6,610	6,848
	47,416	86,894
"Subordinated long term debt (note 4)		-
41/2% Convertible Subordinated Debentures, due September 1, 1983	32,558	32,646
5% Cumulative Income Subordinated Debentures, due November 1, 1984	46,264	48,814
	78,822	81,460
"Reserves, deferred credits and minority equity		***************************************
Anticipated costs related to replacement or relocation of facilities (note 5)	14,561	30,928
Deferred Federal income taxes (note 5)	13,837	17,111
Credit arising from merger (note 5)	6,106	7,756
Minority stockholders' equity in Armour-Dial, Inc. (note 2)	11,534	48040
	46,038	55,795
"Stockholders' equity (notes 6 and 7)		
\$4.75 Preferred stock, par value \$100 per share— authorized 550,000 shares		
issued 526,352 shares	52,635	52,635
Common stock, par value \$5 per share— authorized 15,000,000 shares		
issued 7,614,126 shares in 1968 and 7,572,364 shares in 1967	38,071	37,862
Capital in excess of par value	152,095	127,909
Earnings employed in the business (note 4)	124,693	127,623
Common stock held in treasury-1,518,945 shares at cost	(75,717)	
	291,777	346,029
"Total long term obligations and stockholders' equity	\$ 464,053	\$ 570,178
"(See notes to financial statements)"		

## "CONSOLIDATED STATEMENT OF EARNINGS EMPLOYED IN THE BUSINESS

	Dollars in	Thousands
	\$3 weeks ended Nov. 2, 1968	S2 weeks ended Oct. 28, 1967
"Balance beginning of year	\$127,623	\$119,919
"Net earnings for the year	12,029	22,265
"Cash dividends		
on preferred stock-\$4.75 per share	(2,500)	(2,500)
on common stock—\$1.60 per share	(11,493)	(12,061)
"Reduction in Company's equity in undistributed earnings of Armour-Dial, Inc. arising from sale by Armour-Dial of its common stock (note 2)	(966)	_
"Balance end of year	\$124,693	\$127,623"

## "NOTES TO FINANCIAL STATEMENTS

## "1. Extraordinary Loss

As of January 27, 1968, the Company sold substantially all the assets and business of its domestic agricultural chemical business. Proceeds from the sale, including collection of retained receivables, approximates \$130 million. The loss on this sale, less a reserve of \$8,610,000 established in prior years for these facilities and less applicable Federal income tax of \$12,950,000, has been reflected as an extraordinary loss in the consolidated statement of earnings.

## "2. Formation of Armour-Dial, Inc.

As of January 1, 1968, the Company transferred the business and net assets of its Grocery Products Division to Armour Grocery Products Company in exchange for:

- (1) all of the issued and outstanding capital stock of Armour Grocery Products, (2) \$1,200,000 of Armour Grocery Products 6% First Mortgage Bonds, and (3) the assumption by Armour Grocery Products of \$15,000,000 of the Company's notes payable to banks. Subsequently, the following transactions occurred:
  - 1) Armour Grocery Products Company changed its name to Armour-Dial, Inc.
  - 2) The Company contributed (a) amounts due it as of April 27, 1968 from foreign subsidiaries of Armour Pharmaceutical Company and (b) all of the outstanding capital stock of Armour Pharmaceutical Company, Limited, a United Kingdom corporation, to Armour Pharmaceutical Company.
  - 3) Armour-Dial purchased at book value from the Company all the outstanding capital stock of Armour Pharmaceutical Company.
- 4) Armour-Dial revised its capital structure and sold, through an offering by Armour to its stockholders of rights received from Armour-Dial, 1,894,119 shares of its common stock. "The Company currently owns 81.6% of the issued and outstanding capital stock of Armour-Dial.

#### "3. Investments

Investments consist of the following, recorded principally at cost, which approximates the Company's aggregate equity in underlying net assets:

	% of outstanding common stock held	Nov. 2, 1968	Oct. 28, 1967
		(thouse	nds)
Shellstar Limited (note 10)	50%	\$20,237	\$19,237
IPL inc.	29%	16,060	16,060
Kalium Chemicals Limited	50%	12,135	12,135
Other investments	Various	10,032	6,908
Long term receivables		11,187	12,836
Long term receivables		\$69,651	\$67,176
		-	

During 1968, the Company converted \$2,203,000 of IPL inc. debentures into IPL common stock. Market value of the 977,934 shares of IPL common stock held by the Company at November 2, 1968 was approximately \$18,000,000. In 1966 the Company agreed to certain restrictions, for an eight-year period, on any disposition of IPL stock, such restrictions being designed to insure broad distribution of these shares.

## "4. Long Term Debt

First Mortgage Bonds-Sinking fund requirements amount to \$2,240,000 for 1969, \$4,240,000 for 1970 and \$9,566,000 upon maturity in 1971.

Notes Payable-Banks-Represents borrowings under a revolving bank credit agreement whereby the Company may borrow at prime interest rates up to \$60,000,000 to April 1, 1969. On that date, the Company may elect to convert any portion of the \$60,000,000 into 5% term notes, payable in eight equal semi-annual installments to April 1, 1973. The amount borrowed at November 2, 1968 under the agreement has been classified as long term obligations as it is the Company's present intention to negotiate a revision of the agreement that will, among other changes, extend the period of revolving credit beyond the close of the Company's 1969 fiscal year."

"Equipment Lease Obligations-Amounts payable in 1969 are estimated to be approximately \$3,144,000."

## "NOTES TO FINANCIAL STATEMENTS-(Continued)

"Subordinated Long Term Debt-Sinking fund requirements amount to \$1,261,000 for 1969, a maximum of \$2,195,000 for 1970 and 1971 and \$3,845,000 for 1972 and 1973.

"The 4½% Convertible Subordinated Debentures are convertible into shares of common stock of the Company prior to September 1, 1983 at \$51.14 principal amount of debentures for each share of stock, with anti-dilution provisions

"The indentures relating to long term obligations restrict the payment of dividends, other than dividends payable in the Company's capital stock. Under the most restrictive covenant of these indentures, \$95,128,000 of earnings employed in the business at November 2, 1968 was unrestricted for payment of cash dividends.

## "5. Reserves and Deferred Credits

"In order to comply with financial reporting requirements set forth by the American Institute of Certified Public Accountants, the amount of \$18,365,000 reported net after Federal income taxes in 1967 for anticipated costs related to replacement or relocation of facilities has been restated to its gross amount of \$30,928,000, an increase of \$12,563,000. Deferred Federal income taxes has been reduced by a corresponding amount.

"The excess of the recorded net assets of Baldwin-Lima-Hamilton Corporation, acquired by the Company in 1965, over the consideration paid was recorded in part as additional accumulated depreciation and in a part as a deferred credit. Earnings before extraordinary loss for 1968 and 1967 include \$2,548,000 and \$2,712,000, respectively, representing reductions in depreciation expense, and pro rata portions of the deferred credit which is being amortized over a period of seven and one-half years. In addition, the deferred credit was reduced during 1968 by \$184,000, representing the settlement of liabilities which arose prior to the date of the merger, the amount of which was indeterminable at that time.

## "6. Preferred Stock, Common Stock and Capital in Excess of Par Value

Changes in common stock and capital in excess of par value during fiscal 1968 were as follows:

	Common	Capital in excess of par value
	(thou	(abnas
Balance October 28, 1967	\$37,862	\$127,909
Issuance of common stock in connection with:  exercise of employe stock options  conversion of 41/2% convertible subordinated debentures	200 9	1,204 78
Increase in Company's equity in Armour-Dial, Inc. arising from sale by Armour-Dial of its common stock (note 2)		22,904
Balance November 2, 1968	\$38,071	\$152,095

"In 1960, stockholders authorized the issuance of 350,000 shares of \$100 par value Series Preferred stock, none of which has been issued.

## "7. Stock Options and Treasury Stock

Options have been granted to certain officers and employes to purchase shares of Company common stock at prices of 100% or 95% of market value on the date of grant, for periods of five or ten years from the date of grant. The options become exercisable in installments to 1973. At November 2, 1968, options may be granted for an additional 53,755 shares at 100% of market value on the date of grant.

"Changes in options during the year were as follows:

	Options outstanding		Options exercisable	
	Average price	Shares	Average price	Shares
Balance October 28, 1967 Granted Became exercisable	\$37.93 35.74 — 35.74	171,708 55,800 — (54,004)	\$38.44 40.59 35.74	120,703 26,933 (54,004)
Exercised	40.67	(26,564)	42.31	(19,818) 73,814"
Balance November 2, 1968	\$37.41	146,940	\$40.16	73,814"

# GENERAL HOST CORPORATION

EXCHANGE OFFER TO STOCKHOLDERS OF

## ARMOUR AND COMPANY

Until March 11, 1969 (40 days after the date of this Prospectus), all dealers effecting transactions in the registered securities to which this Prospectus relates, whether or not participating in this distribution, may be required to deliver a Prospectus. This is in addition to the obligation of dealers to deliver a Prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

This Prospectus does not contain all of the information set forth in the Registration Statement including this Prospectus (the "Registration Statement") on file with the Securities and Exchange Commission. For further information, reference is made to the Registration Statement, including the financial statements, schedules, and exhibits filed therewith.

#### "NOTES TO FINANCIAL STATEMENTS-(Continued)

"At November 2, 1968 the Company held in its treasury, (1) 1,504,011 shares of its common stock acquired at a cost of \$75,326,000 through an offer made on August 1, 1968 to its then stockholders to purchase Armour common stock at a price of \$50 per share, and (2) 14,934 shares of its common stock acquired in prior years and classified in 1967 as investments. Shares held in the treasury, as well as 199,705 shares of reserved unissued stock, are available for issuance upon the exercise of options granted or authorized to be granted.

#### "8. Pension Plans

"The Company and its subsidiaries have several pension plans covering substantially all employes. The Company's policy is to fund pension cost accrued which includes, as to certain plans, amortization of prior service costs over 30 years. The actuarially computed excess of vested benefits over pension fund assets was approximately \$65,000,000 at the date of the most recent actuarial valuations.

"The increase in pension expense for the year results from liberalization of retirement benefits, offset in part by changes in certain actuarial assumptions and the reduction in employes covered by the Company's plans due to the sale of the agricultural chemical business (note 1). In connection with that sale, certain trust fund assets were transferred to trust funds of the purchaser."

#### "9. Provision for Federal Income Taxes

The Company's provision for Federal income taxes comprised the following for the fiscal years ended November 2, 1965 and October 28, 1967:

	2.768	1967
	(thousands)	
Current taxes	\$ 11,795	\$ 6,007
Deferred taxes on difference between financial and tax income, arising from depreciation and certain lease expenses	165	3,141
Amounts equivalent to reduction in Federal income tax in respect of:		
<ul> <li>a) losses and expenses in closing of facilities charged to reserve previously provided therefor</li> </ul>	4,981	2,437
b) losses and expenses on sale of agricultural enemical business (note 1), other than amounts included in (a) above, less deferred taxes previously provided	4,530	_
e) settlement of certain liabilities which arose prior to the date of the BLH merger (note 5) charged to deferred credit arising from merger	199	890
	\$ 21,670	\$ 12,475

#### "10. Commitments and Long Term Leases

In 1965 the Company acquired a 50% interest in Shellstar Limited, a United Kingdom company organized to conduct agricultural chemical operations. In connection with working capital requirements, the Company has a commitment to guarantee borrowings of Shellstar which are not expected to exceed \$25,000,000. At November 2, 1968 borrowings guaranteed by the Company were \$18,750,000. The Company presently does not anticipate the need for any increase in its \$20,237,000 capital investment in Shellstar, whose construction program is scheduled for completion in 1969.

Rent expense for real property under long term leases for 1968 amounted to approximately \$2,189,000 and will approximate that amount in each of the next five years. These leases extend for varying periods up to 49 years, with the Company obligated under most leases to pay for insurance, maintenance and other costs of operating the properties."

#### PART II

# INFORMATION NOT REQUIRED IN PROSPECTUS

### item 31. Financial Statements and Exhibits.

- (b) Exhibits:
  - 4.2 Indenture covering 7% Subordinated Debentures.
  - 13.5 —Employment Agreement between Registrant and Edward H. Hoornstra.

Pursuant to Rule 472(c) of Regulation C, Exhibits 4.1 and 4.1-1 (the form of Warrant and half Warrant being registered hereby) are changed only to provide a \$40 exercise price rather than the \$45 exercise price appearing in the idled forms, and, accordingly, the forms are not refiled.

#### **3IGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Amendment to the Registration Statement to be signed on its behalf by the undersigned thereunto duly authorized, in the City of New York, State of New York, on the 29th day of January, 1969.

#### GENERAL HOST CORPORATION

By	HARRIS J. ASHTON®	
- /	(Harris J. Ashton, President)	

Pursuant to the requirements of the Securities Act of 1933, this Amendment to the Registration Statement has been signed below by the following persons in the capacities and on the date indicated:

Signature	Title	Date
RICHARD C. PISTELL*  (Richard C. Pistell)	Chairman of the Board and Director (Principal Executive Officer)	January 29, 1969
HARRIS J. ASHTON® (Harris J. Ashton)	President and Director	January 29, 1967
JOHN M. KINGSLEY, JR.*  (John M. Kingsley, Jr.)	Vice President and Treasurer (Principal Financial Officer)	January 29, 1969
JOHN P. GLYNN*	Controller (Principal Accounting Officer)	January 29, 1969
C. WHITCOMB ALDEN, JR. 9  (C. Whitcomb Alden, Jr.)	Director	January 29, 1969
JOSEPH P. BINNS®	Director	January 29, 1969
WILLIAM P. DOWNEY*	Secretary and Director	January 29, 1969
(William F. Downey)  Weston E. Hamilton <sup>6</sup>	Director	January 29, 1969
(Weston E. Hamilton) WM. P. Howe, Jr.*	Director	January 29, 1969
(Wm. P. Howe, Jr.)  J. ELROY McCAW*	Director	January 29, 1969
(J. Efroy McCaw)  Edwin C. McDonald*	Director	January 29, 1969
(Edwin C. McDonald)	Director	January , 1969
(Lealie W. Scott)  *ByJAMES J. MURRAY	nurrent	
(James J. Murray) Attorney-in-Fact		

## JA1405

DEFENDANTS' EXHIBIT NO. A-49:

DEALER MANAGEMENT AGREEMENT, DATED JANUARY 30, 1969

#### GENERAL HOST CORPORATION

### DEALER MANAGER AGREEMENT

January 30, 1969

ALLEN & COMPANY INCORPORATED 30 Broad Street New York, New York 10004

KLEINER, BELL & Co., INCORPORATED 9756 Wilshire Boulevard Beverly Hills, California 90212

Dear Sir

1. General Host Corporation, a New York corporation (the "Company"), proposes to make an exchange offer ("Exchange Offer") to the holders of the outstanding shares of Common Stock ("Armour Common Stock") and 4½% Convertible Subordinated Debentures, due September 1, 1983 ("Armour Debentures") of Armour and Company, a Delaware corporation ("Armour"), as follows:

\$60 principal amount of 7% Subordinated Debentures due February 1, 1994 ("Debentures") and warrants ("Warrants") to purchase two and one-half shares of Common Stock of the Company, in exchange for each share of Armour Common Stock, or in exchange for each \$51.14 principal amount of Armour Debentures.

The Company wishes you to act as Dealer Managers ("Dealer Managers") to solicit acceptances of the Exchange Offer described herein pursuant to the terms of a Prospectus and Letters of Transmittal to be furnished to you.

# 2. The Company represents, warrants and agrees as follows:

- (a) A registration statement on Form S-1 (No. 2-31224) with respect to the Debentures, Warrants and Common Stock of the Company including a form of prospectus, a copy of which, with exhibits, has heretofore been delivered by the Company to the Dealer "anagers, has been prepared by the Company in conformity with the requirements of the Securities Act of 1933 (the "Act"), and the rules and regulations (the "rules and regulations") of the Securities and Exchange Commission (the "Commission") thereunder and was filed with the Commission under the Act, two amendments to said registration statement, copies of which have heretofore been delivered to the Dealer Managers, have been filed, and said registration statement as amended has become effective. As used in this Agreement, the term "Registration Statement" refers to and means said registration statement as it may be hereafter amended or supplemented, including the prospectus, exhibits and financial statements, and the term "Prospectus" refers to and means the final prospectus submitted to the Commission in connection with the Registration Statement. The Company will not at any time file any amendments to the Registration Statement without prior notice to the Dealer Managers or to which the Dealer Managers shall reasonably object in writing.
- (b) At all times up to the date of delivery of the Debentures and Warrand the Registration Statement and Prospectus, and any amendment or supplement thereto, will contain all material statements which are required to be stated therein in accordance with the Act and the rules and regulations and will in all respects conform with the requirements of the Act and the rules and regulations; during so h period neither the Registration Statement nor the Prospectus, nor any amendment or supply and thereto, will include any untrue statement of a material fact or omit to

state any material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that the Company makes no representations or warranties as to information contained in or omitted from the Registration Statement or the Prospectus or any amendment or supplement thereto relating to Armour (such information having been obtained from the sources indicated in the Registration Statement) or included therein in reliance upon written information furnished to the Company for use in preparation thereof by or on behalf of either Dealer Manager.

- (c) The Company has been duly incorporated and is now validly existing and in good standing as a corporation under the laws of New York, with an authorized capitalization as set forth in the Registration Statement and the Prospectus.
- (d) The accountants who have certified to the financial statements included in the Registration Statement and the Prospectus for the Company and its subsidiaries, and who as experts have certified to or reviewed other information of a financial or accounting nature contained in the Registration Statement and the Prospectus, relating to the Company and its subsidiaries are independent public accountants as required by the Act and the rules and regulations.
- (e) The execution of this Agreement has been duly authorized by the Board of Directors of the Company. All of the transactions contemplated by this Agreement and the Registration Statement have been duly authorized and may be carried out without breaching the terms or provisions of any Certificate of Incorporation provision, by-law provision, indenture, agreement or other instruments to which the Company or any affiliate is a party or by which it is bound.
- (f) The financial statements relating to the Company and its subsidiaries set forth in the Registration Statement fairly present the financial condition of the Company and its subsidiaries as of the dates indicated and the results of their operations for the periods therein specified; and said financial statements have been prepared in accordance with generally accepted accounting principles which have been applied on a consistent basis throughout the periods involved, except as indicated in the Opinion of Price Waterhouse & Co. contained in the Prospectus.
- 3. Subject to the terms and conditions of this Agreement, including compliance by the Company with all covenants and agreements, you agree to use your best efforts to cause dealers in securities ("Dealers"), including yourselves, all of whom must be members of the National Association of Securities Dealers, Inc. or foreign dealers who have agreed to conform to the Rules of Fair Practice of the National Association of Securities Dealers, Inc., or members of National Securities Exchanges, to solicit tenders pursuant to the Exchange Offer. The Letters of Transmittal will contain appropriate spaces wherein there may be inserted the name and address of the Dealer, if any, who solicits the tender. Solicitations by the Dealer Manager and such Dealers shall be made only in those states where such solicitations may lawfully be made and in accordance with the laws thereof.

Nothing in this Agreement or in the Registration Statement shall constitute or is intended to constitute any Dealer Manager or any Dealer an agent of the Company or an underwriter as that term is defined in the Securities Act of 1933 or the rules and regulations thereunder, or constitute or is intended to constitute any Dealer the agent of any Dealer Manager or an underwriter as defined above in connection with the solicitation of acceptances or otherwise. The Dealer Managers shall be under no liability to the Company for any act or omission of any Dealer and shall not be liable hereunder except for obligations expressly assumed hereunder.

4. The Company will pay to the Dealer Managers a fee of 40 cents for each share of Armour Common Stock and a fee of \$.78217 for each \$100 principal amount of Armour Debentures tendered to and accepted by the Company for exchange in response to the Exchange Offer regardless of whether they are instrumental in effecting such tender and regardless of whether a Dealer's name appears on a Letter of Transmittal. The aggregate fees payable to the Dealer Managers (exclusive of amounts payable to them as Dealers) shall be divided as follows: Allen & Company Incorporated, 50% and Kleiner, Bell & Co.,

Incorporated 50%. In addition, if a Dealer's name appears on a Letter of Transmittal, the Company will pay to such Dealer a fee of \$1.00 for each share of Common Stock and a fee of \$1.95542 for each \$100 principal amount of Armour Debentures referred to in such Letter of Transmittal and tendered to and accepted by the Company for exchange in response to the Exchange Offer. Dealer Managers may also be Dealers and be compensated as Dealers. Until the termination of the Exchange Offer, each of the Dealer Managers hereby agrees that it will not bid for or purchase any Debentures, Common Stock or Warrants of the Company for its own account or accounts of its customers, except as permitted by applicable rules and regulations of the Securities and Exchange Commission, including Rule 10b-6 under the Securities Exchange Act of 1934.

# 5. The Company covenants and agrees with the Dealer Managers that:

. . . . . .

- (a) The Company will advise the Dealer Managers promptly, by telephone or otherwise, of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or of the institution of any proceedings for that purpose, and will use its best efforts to prevent the issuance of any such stop order and obtain as soon as possible the lifting thereof, if issued; the Company will advise the Dealer Managers promptly of any request of the Commission for amendment or supplementation of the Registration Statement or the Prospectus, or for additional in armation, and will not at any time file any amendment or supplement to the Registration Statement or the Prospectus which is not knowingly in substantial compliance with the Act or the rules and regulations of the Commission thereunder; and the Company will notify the Dealer Managers immediately and confirm in writing when any post-effective amendment to the Registration Statement becomes effective.
  - (b) If at any time when a prospectus relating to the Debentures, Warrants and Common Stock is required to be delivered under the Act any event occurs as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact, or omit to state any material fact necessary to make the statements therein not mislecting, or if during such period it is necessary at any time to amend or supplement the Prospectus to comply with the Act, the Company will promptly prepare and file with the Commission an amendment or supplement which will correct such statement or omission or an amendment or supplement which will effect such compliance.
  - (c) As soon as practicable, the Company will make generally available to the holders of its Debentures and Warrants an earnings statement (which need not be audited), covering a period of at least twelve months begining within 90 days after the effective date of the Registration Statement, which will satisfy the provisions of Section 11(a) of the Act.
  - (d) The Company will notify the Dealer Managers forthwith of the commencement of the Exchange Offer; will cause the Exchange Agents to advise the Dealer Managers daily of the quantities of Armour Common Stock and Armour Debentures tendered for exchange, and to advise the Dealer Managers from time to time during, and promptly after the expiration of, the Exchange Offer as to all names and addresses of the holders of Armour Common Stock and Armour Debentures which have been tendered for exchange and as to the names and addresses of Dealers set forth in the respective Letter of Transmittal accompanying the tender.
  - (e) The Company will deliver to each Dealer Manager on or prior to the expiration of the Exchange Offer one signed copy of the Registration Statement and of all amendments thereto, and will deliver to each Dealer Manager such number of conformed copies of the Registration Statement, each Preliminary Prospectus, the Prospectus and all amendments and supplements thereto, in each case as soon as available and in such reasonable quantities as each Dealer Manager may request.
  - (f) The Company will diligently endeavor, in good faith, in cooperation with the Dealer Managers, to qualify the Debentures and the Warrants for sale under the respective securities laws of each State in which the Company in its sole discretion deems such qualification necessary or desirable and will notify the Dealer Managers of the States in which and the persons by whom the Exchange Offer may be made. 3

- (g) The Company will pay all costs and expenses incident to the performance of its obligations under this Agreement, including out-of-pocket expenses of the Dealer Managers, fees and disbursements of counsel for the Dealer Managers, fees and disbursements in connection with the qualification of the Debentures and the Warrants for sale under State securities laws (or the determination of the availability of an exemption or exemptions from such qualification) in such states as the Company, in its sole discretion, deems such qualification or determination necessary or desirable, and the cost of furnishing to the Dealer Managers copies of the Registration Statement, each Preliminary Prospectus, the Prospectus and any amended or supplemented Prospectus, and each Prospectus prepared to permit compliance with Section 10(a)(3) of the Act.
- 6. Prior to the execution of this Agreement the Company has delivered to the Dealer Managers:
- (a) An opinion of Messrs. Lovejoy, Wasson, Lundgren & Ashton, counsel for the Company, stating in substance that:
- (A) The Company is duly organized and in good standing under the laws of New York in which it is incorporated.
- (B) The Debentures when issued and authenticated by the Trustee or its authenticating agent and explanged as contemplated in the Registration Statement will be legal and binding obligations of the Company in accordance with their terms, subject to provisions of law governing creditors' rights generally.
- (C) The Warrants when issued by the Company and exchanged as contemplated in the Registration Statement will be legal and binding obligations of the Company in accordance with their terms, and the shares of Common Stock issuable upon exercise of the Warrants when issued upon such exercise will be duly authorized, validly issued, fully paid and non-assessable.
- (D) The Debentures, Warrants and Common Stock when issued by the Company as contemplated in the Registration Statement will conform as to legal matters with the statements concerning them in the Prospectus.
- (E) This Agreement has been duly authorized by the Company and upon its execution and delivery it will constitute a legal, valid and binding obligation of the Company.
- (F) The Registration Statement and Prospectus (except as to the financial statements and the financial data contained therein as to which such counsel need express no opinion) comply as to form in all material respects with the requirements of the Act and the rules and regulations of the Commission relating to registration statements and prospectuses; and the Indenture has been duly qualified under the Trust Indenture Act of 1939.
- (b) A certificate of Price Waterhouse & Co., dated January 30, 1969, stating in substance that:
- (A) With respect to the Company and its consolidated subsidiary companies they are independent accountants within the meaning of the Securities Act of 1933 and are in compliance with the applicable requirements, relating to the qualifications of accountants, of Rule 2.01 of Regulation S-X promulgated by the Securities and Exchange Commission.
- (B) In their opinion the financial statements and the related supporting schedules of the Company certified by them and induced or incorporated by reference in the Registration Statement and Prospectus comply as to former all material respects with the pertinent accounting requirements of the Securities Act of 1933 and of the published instructions, rules and regulations of the Securities and Exchange Commission issued thereunder with respect to registration statements on Form S-1.
- (C) On the basis of a limited review (but not an examination in accordance with generally accepted auditing standards), which includes a reading of the latest available interim financial statements of the Company, a reading of the latest available minutes of the meetings of the Board of

JA1410

makes stockholders, and discussions with certain officials responsible for financial and accountmakes of the Company as to transactions and events subsequent to December 30, 1967, nothing come to their attention which in their judgment would indicate that during the period from becember 30, 1967, to January 30, 1969, there has been any change in the capital stock and longdebt of the Company and its subsidiary companies on a consolidated basis or any material adverse change in the financial position or results of operations of the Company and its subsidiary adverse change in the financial position or results of operations of the Company and its subsidiary companies on a consolidated basis, except as set forth or contemplated in the Registration Statement, including the related Prospectus.

- 7. The Company agrees with each of the Dealer Managers and each person, if any, who controls any Dealer Manager within the meaning of Section 15 of the Act, and each and all and any of them, to indemnify and hold harmless each Dealer Manager and any such controlling person from and against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the Act, under any other statute, at common law or otherwise, and to reimburse each Dealer Manager and such controlling persons, if any, for any legal or other expenses (including the cost of any investigation and preparation) reasonably incurred by them or any of them in connection whether or not resulting in any liability, in so far as such losses, claims, damages, liabilities a literation arise out of, or are based upon, any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or the Prospectus, or in any amendment or supplement thereto, or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or arise out of, or are based upon, any action taken by the Company in the Exchange Offer; provided, however, that this indemnity agreement shall not apply to any such losses, claims, damages, liabilities or litigation arising out of, or based upon, any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or in the Prospectus, or in any amendment or supplement thereto, or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, which statement or omission was made in reliance upon information furnished in writing to the Company by or on behalf of any Dealer Manager for inclusion in the Registration Statement or the Prospectus, or in any amendment or supplement thereto. Each Dealer Manager or each such controlling person, defendant or defendants in any such litigation, shall, promptly after the summons or other initial legal process shall have been served upon such Dealer Manager or such controlling person in, or after such Dealer Manager or such controlling person shall have first received notice of such service on any agent in, any litigation against such Dealer Manager or such controlling person in respect of which indemnity may be sought from the Company on account of its agreement contained in this paragraph, notify the Company in writing of the commencement thereof. The omission of such Dealer Manager or such controlling person so to notify the Company of any such litigation shall relieve the Company from any liability which it may have to such Dealer Manager or such controlling person on account of the indemnity agreement contained in this paragraph but shall not relieve the Company from any liability which it may have to such Dealer Manager or controlling person otherwise than on account of the indemnity agreement contained in this paragraph. In case any such litigation shall be brought against any Dealer Manager or any such controlling person and such Dealer Manager or such controlling person shall notify the Company under this paragraph of the commencement thereof, the Company shall be entitled to participate in (and, to the extent that it shall wish, to direct) the defense thereof at its own expense but such defense shall be conducted by counsel reasonably satisfactory to such Dealer Manager or such controlling person or persons, defendant or defendants in the litigation. The Company agrees to notify you promptly of the commencement of any litigation or proceeding against it or any of its officers or directors of which it may be advised, in connection with the issue and sale of the Debentures and warrants.
  - 8. Each Dealer Manager agrees to indemnify and hold harmless the Company, from and against any and all losses, claims, damages or liabilities, joint or several, to which the Company may become subject under the Act, under any other statute, at common law or otherwise, and to reimburse the Company for any legal or other expenses (including the cost of any investigation and preparation) reasonably

with any litigation, whether or not resulting in any liability, in so far as as, damages, habilities or litigation arise out of, or are based upon, any untrue statement legen untrue statement of a material fact contained in the Registration Statement or the Prospectus, my amendment or supplement thereto, or the omission or alleged omission to state therein a Lact required to be stated therein or necessary to make the statements therein not misleading, which statement or omission was made in reliance upon information furnished in writing to the Company by or on behalf of said Dealer Manager for inclusion in the Registration Statement or the Prospectus, or in any amendment or supplement thereto. The Company shall, promptly after the summons or other initial legal process shall have been served, or after the Company shall have first received notice of such service upon any agent, in any litigation against the Company in respect of which indemnity may be sought from any Dealer Manager on account of its agreement contained in this paragraph, notify such Dealer Manager in writing of the come accement thereof. The omission of the Company so to notify such Dealer Manager of any such litigation shall relieve such Dealer Manager from any liability which it may have to the Company on account of the indemnity agreement contained in this paragraph but shall not relieve such Dealer Manager from any liability which it may have to the Company otherwise than on account of the indemnity agreement contained in this paragraph. In case any such litigation shall be brought again a the Company and the Company shall notify any Dealer Manager under this paragraph of the course seement thereof, such Dealer Manager shall be entitled to participate in (and, to the extent that it is I was no direct in conjunction with any other Dealer Manager so wishing) the defense thereof at its own expense but such defense shall be conducted by counsel reasonably satisfactory to the Company. Each Dealer Manager agrees to notify the Company promptly of the commencement of any litigation or proceeding against it or any of its directors or officers or partners of which it may be advised, in connection with the Exchange Offer.

- 9. The Deal r Managers agree among themselves that if any liability, loss, damage, or expense of any kind is imposed on them or any of them, or any persons controlling them or any of them, by reason of any action taken by them or any of them as Dealer Managers or as a Dealer Manager under this Agreement arising out of litigation commenced against them or any of them for which they shall not have received indemnity pursuant to the provisions of Paragraph 6 of this Agreement or otherwise, the Dealer Managers shall be entitled to contribution among themselves so that the ultimate liability of the Dealer Managers (including the liability of any person controlling a Dealer Manager) shall be as follows: Allen & Company Incorporated, 50% and Kleiner, Bell & Co., Incorporated, 50%.
- This Agreement shall become effective upon the commencement by the Company of the Exchange Offer.
- 11. The validity and interpretation of this Agreement shall be governed by the laws of the State of New York. This Agreement shall inure to the benefit of the Company, the Dealer Managers and, with respect to the provisions of Sections 7, 8 and 9 hereof, each director, officer and controlling person referred to therein, and their respective successors. Nothing in this Agreement is intended or shall be construed to give to any other person, firm or corporation any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained.
- 12. (a) All representations, warranties and agreements of the Company contained herein and the agreements contained in Sections 7, 8 and 9 hereof shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Company or any Dealer Manager or any controlling person, and shall survive expiration of the Exchange Offer.
- (b) All communications hereunder shall be in writing and if to the Dealer Managers shall be deemed given on the day following the date of mailing if mailed, in New York City postage prepaid, or on the date of delivery if delivered, to them c/o Allen & Company Incorporated, 30 Broad Street. New York, New York 10004, or, if to the Company, shall be deemed given on the day following the date

of male against diled, in New York City postage prepaid, or on the date of delivery if delivered, to it at 245 Posla Assaule, New York, N. Y. 10017, attention: President.

Very truly yours,

	GENERAL HOST CORPORATION	
	By	
he foregoing Agreement is hereby confirmed and accepted as of the date first above writen.		
ALLEN & COMPANY INCORPORATED		
By President		
KLEINER, BELL & Co., INCORPORATED		
By		

President

JA14120

#### DEFENDANTS' EXHIBIT NO. A-50:

PRICE WATERHOUSE COMFORT LETTER, DATED JANUARY 30,1969

PRICE TATERHOUSE & Co.

60 BROAD STREET

NEW YORK 10004

January 30, 1969

To the Board of Directors of General Host Corporation

and

Allen & Company Incorporated

and

Kleiner, Bell & Co., Incorporated as Declar Managers

Dear Sirs:

With respect to General Host Corporation and its consolidated subsidiary companies, we are independent accountants within the meaning of the Securities Act of 1933 and are in compliance with the applicable requirements, relating to the qualifications of accountants, of Rule 2.01 of Regulation S-X promulgated by the Securities and Exchange Commission.

Under date of February 9, 1968 we furnished the Company with our opinions on the consolidated financial statements of the Company for the five fiscal years ended December 30, 1967 and the related supporting schedules for the three fiscal years then ended, all contained or incorporated by reference in the Registration Statement (File No. 2-31224), in the form in which it became effective, including the related Prospectus, filed with the Securities and Exchange Commission under the Securities Act of 1933.

We are of the opinion that the financial statements and schedules referred to above comply as to form in all material respects with the applicable accounting requirements of the Securities Act of 1933 and of the published instructions, rules and regulations of the Securities and Exchange Commission issued thereunder with respect to registration statements on Form S-1.

We have not made an examination in accordance with generally accepted auditing standards of the financial statements of the Company or any of its subsidiary companies that relate to any period subsequent to December 30, 1967 nor have we attempted to audit any of the transactions or records for any such period and, therefore, we do not express an opinion thereon. In this connection it should be noted that interim financial statements for any period subsequent to December 28, 1968 were not available.

JA14140V

DEFENDANTS' EXHIBIT NO. A-51:

SEC ORDER, DATED JANUARY 30, 1969

rec

UNITED STATES OF AMERICA BEFORE THE SECURITIES AND EXCHANGE COMMISSION

January 30, 1959

JA1415 Dene al Fort

In the Matter of

GENERAL HOST CORPORATION

File No. 2-31224 (22 - 5339)

ORDER DECLARING THE REGIS-. TRATION STATEMENT EFFECTIVE PURSUANT TO SECTION 8(a) OF THE SECURITIES ACT OF 1933. . AS AMENDED, AND THE INDENTURE . QUALIFIED PURSUANT TO SECTION 309(c) OF THE TRUST INDENTURE ACT OF 1939, AS AMENDED.

The above-named issuer having filed with the Commission, rursuant to Section 6(a) of the Securities Act of 1933, as amended, and a thereunder, a registration statement for the registration of the secondales specified on the facing sheet thereof; and

The said registration statement having included therein, pursuant to Section 305(a) of the Trust Indenture Act of 1939, as amended, and the rules thereunder, the indenture to be qualified; and

Acceleration of the effective date of the registration statement pursuant to Section 8(a) of the Securities Act of 1933, as amended, and qualification of the indenture pursuant to Section 309(a) of the Trust Indenture Act of 1939, as amended, having been requested;

IT IS ORDERED that the registration statement shall become effective and the indenture qualified at 11:30 A.M. Eastern Standard Time, January 30, 1969.

Attention is directed to Rule 424(b) of the General Rules and Regulations under the Securities Act of 1933, as amended, relating to the requirement for filing twenty-five copies of the actual prospectus used.

Attention is also directed to the provisions of Section 23 of the said 1933 Act and to Section 324 of the Trust Indenture Act of 1939, as amended, which make unlawful certain representations with respect to the effect of registration and qualification under the said Acts.

By direction of the Commission.

Grand L. San Bain Orval L. DoBois.

Secretary

JA1415a

DEFENDANTS' EXHIBIT NO. A-54:

ADVERTISEMENT IN WALL STREET JOURNAL, DATED JANUARY 31,1969

JA1416

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Street New York New York 10015

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DEFENDANTS' EXHIBIT NO. A-55:

LETTER FROM GREYHOUND TO ARMOUR SHAREHOLDERS, DATED JANUARY 31, 1969

# THE GREYHOUND CORPORATION 10 SOUTH RIVERSIDE PLAZA CHICAGO, ILLINOIS 60606

OFFICE OF THE PRESIDENT

January 31, 1969

Dear Armour Stockholder:

Greyhound Food Management, Inc., a wholly owned subsidiary of The Greyhound Corporation, to purchase your shares of common stock of Armour and Company at \$70.00 per share in cash. You are urged to read the revised Offer in its entirety.

If you have already deposited your shares of Armour in response to our Offer of January 27, 1969, you will receive \$70.00 in cash for each Armour share purchased without further action on your part.

We urge that you tender your shares prior to the expiration of our revised Offer on February 10, 1969 and that you execute the Proxy contained in the enclosed Letter of Transmittal.

Very truly yours,

THE GREYHOUND CORPORATION

GERALD H. TRAUTMAN
President

Revised Offer To Purchase 2,500,000 Shaves of

ARMOUR AND COMPANY
Common Stock

By

Greyhound Food Management, Inc., a wholly owned subsidiary of

THE GREYHOUND CORPORATION at \$70.00 per share net

Scheduled to expire Monday, February 10, 1969, unless extended

To Common Blockholders of

Greyhound Food Management, Inc. ("Greyhound") hereby offers to purchase shares of common block of Armour and Company ("Armour") at \$70.00 per share net of brokerage commissions and block of Armour and Company ("Armour") at \$70.00 per share net of brokerage commissions and block of Armour and Company ("Armour") at \$70.00 per share net of brokerage commissions and block of Armour and Company ("Armour") at \$70.00 per share net of brokerage commissions and block of Armour and Company ("Armour") at \$70.00 per share net of brokerage commissions and block of Armour and Company ("Armour") at \$70.00 per share net of brokerage commissions and block of Armour and Company ("Armour") at \$70.00 per share net of brokerage commissions and block of Armour and Company ("Armour") at \$70.00 per share net of brokerage commissions and block of Armour and Company ("Armour") at \$70.00 per share net of brokerage commissions and block of Armour and Company ("Armour") at \$70.00 per share net of brokerage commissions and block of Armour and Company ("Armour") at \$70.00 per share net of brokerage commissions and block of Armour and Company ("Armour") at \$70.00 per share net of brokerage commissions and block of Armour and Company ("Armour") at \$70.00 per share net of brokerage commissions and block of Armour and Company ("Armour") at \$70.00 per share net of brokerage commissions and block of Armour and Company ("Armour") at \$70.00 per share net of brokerage commissions and block of Armour and Company ("Armour") at \$70.00 per share net of brokerage commissions and the block of Armour and Company ("Armour") at \$70.00 per share net of brokerage commissions and the block of Armour and Company ("Armour") at \$70.00 per share net of brokerage commissions and the block of Armour and Company ("Armour") at \$70.00 per share net of brokerage commissions and the block of Armour and the block of the

The closing price of Armour common stock on the New York Stock Exchange on January 24, 1969, the last trading day before the announcement of Greyhound's original offer, was \$59.00. On January 29, 1969, the day before the announcement of this revised offer, such closing price was \$69.50. On January 30, 1969 when this revised offer was announced, such closing price was \$69.50. On January 31, 1969, the date of this revised offer, such closing price was \$70.50.

Lehman Brothers is acting as Dealer Manager in connection with this offer, and Greyhound will pay them the reasonable and customary fees for such services. In addition, members of the NASD and members of national securities exchanges who solicit tenders will be allowed a commission (payable by Greyhound) of \$.70 per share purchased hereunder if their names appear on the Letter of Transmittal.

Greyhound will purchase on February 10, 1969, all shares tendered before 5:00 P.M. Chicago time on that date up to 2,500,000 shares. If more than that number are tendered, Greyhound may elect to purchase any or all of the excess. If it elects to take less than all shares tendered, Greyhound will purchase all tendered shares on a pro rata basis, will give prompt notice of the pro rata hound will purchased, and will return the unpurchased balance as soon as practicable.

Payment for all shares purchased will be made as soon as practicable after the purchases are made. Tenders may be withdrawn before 5:00 P.M. Chicago time on February 7, 1969. Thereafter they will be irrevocable except that they may be withdrawn after April 1, 1969 unless theretofore purchased by Greyhound.

Armour stockholders who wish to tender their shares must fill out and execute the enclosed Letter of Transmittal, which must either be accompanied by the stock certificates or contain the guarantee (in the space provided in the Letter of Transmittal) of a commercial bank, trust company, or member of a national securities exchange that the certificates will be deposited within five business days ber of a national securities exchange that the certificates will be deposited within five business days ber notice of purchase has been given by Greyhound. The Letter of Transmittal so executed (and offer notice of purchase has been given by Greyhound. The Letter of Transmittal so executed (and they accompanying stock certificates) must then be transmitted to the Tender Agent or one of the Porwarding Agents named below. The tender will be deemed to have been made when the Tender Porwarding Agents named below. The tender will be deemed to have been made when the Tender Agent or a Forwarding Agent receives either the Letter of Transmittal er a letter from a commertagent or a Forwarding Agent receives either the Letter of Transmittal er a letter from a commercial bank, trust company, or member of a national securities exchange stating that the Letter of cial bank, trust company, or member of a national securities exchange stating that the

Transmittal has been deposited with it and will be forwarded promptly. The letter must set forth the name of the tendering stockholder, the number of shares tendered and the serial number of the certificates evidencing the shares.

The T'ender Agent is:

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO
Corporate Securities Division
231 South La Salle Street
Chicago, Illinois 60690

The Forwarding Agents are:

FIRST NATIONAL CITY BANK 24th Floor 111 Wall Street New York, New York 10015 BANK OF AMERICA N.T.&S.A.

Corporate Agency Stock Transfer Dept.
P. O. Box 3308
Rincon Annex
1 South Van Ness Avenue
San Francisco, California 94120

Additional information as to Greyhound is set forth below. Greyhound reserves the right to waive any terms or conditions of this offer or any defect in tenders.

#### ADDITIONAL INFORMATION

Greyhound is a Delaware corporation having its principal office at 2301 West Lafayette Boulc-vard, Detroit, Michigan 48216. Its principal business is the furnishing of centralized management and accounting services to certain subsidiaries of The Greyhound Corporation which provide industrial and institutional food service or engage in the operation of restaurants both within the bus terminals used by Greyhound Lines, Inc. and elsewhere.

The Greyhound Corporation is a Delaware corporation having its principal office at 10 South Riverside Plaza, Chicago, Illinois 60606. Its principal business is that of a holding company, having no business operations other than the holding of stock and other securities of subsidiaries and engaging in such financing and management as is incidental thereto.

If the offer is accepted to the full extent of 2,500,000 shares, the cost to Greyhound will be \$175 million plus expenses of approximately \$2.5 million. An affiliate of Greyhound has arranged to borrow \$75 million under an existing credit agreement with a group of banks. The agreement calls for repayment over a four year period if not renewed on any March 31 anniversary date, and the interest rate ranges from the prime rate in effect from time to time to such prime rate plus 1/4 of 1%. The balance of the funds will be obtained by The Greyhound Corporation under established lines of credit with commercial banks at the prime rate plus 1/4 of 1% and/or through the sale of short term negotiable notes.

Greyhound is purchasing the Armour shares as an investment with a view to control. Depending upon the number of shares acquired pursuant to this Offer, it may or may not obtain control of Armour. In the event that Greyhound should acquire control of Armour, neither Greyhound nor The Greyhound Corporation has any present intention or understanding to liquidate Armour, sell its assets, merge it with any other company, make any major changes in its business or corporate structure, or make any change in the composition of its present Board of Directors or principal officers.

Neither Greyhound nor The Greyhound Corporation nor any of the latter's subsidiaries or their respective affiliates owns, has any right to acquire, or has effected any transactions in any shares of common stock of Armour other than (i) 500,000 shares which Greyhound acquired on national securities exchanges on January 30, 1969 at \$70.00 per share, (ii) 498,893 shares of Armour tendered to Greyhound by the "Prince Interests" pursuant to Greyhound's original offer as set forth below, and (iii) 241,360 shares of Armour which have been deposited as set forth below by Armour stockholders other than the "Prince Interests". To the best of Greyhound's knowledge, none of its officers and directors, none of the officers and directors of The Greyhound Corporation and none of the latter's

subsidiaries or their respective affiliates own any shares of Armour or have effected any transactions in Almour common stock during the past 60 days.

The init of public announcement on the morning of January 27, 1969 of the original Greyhound offer conditioned that offer upon the agreement of the "Prince Interests" to tender their Armour chares to Greyhound. Pollowing a meeting of the Armour Board of Directors that afternoon, the Prince Interests" entered into the two letter agreements dated January 27, 1969 described below. Portly thereafter, Greyhound mailed its original offer and a letter from William Wood Prince, Francur's Chairman, to all Armour common stockholders (including the "Prince Interests") and the holders of Armour's 4½% Convertible Subordinated Debentures. Mr. Prince's letter stated that the holders of Armour's 4½% Convertible Subordinated Debentures and that he was conveying it to the Armour common stockholders and the registered debenture holders as meriting their serious consideration to be weighed in terms of their personal situations.

One of the letter agreements between the "Prince Interests" and Greyhound provided that the "Prince Interests" would convert all of Armour's 41/4% Convertible Subordinated Debentures then owned by them (\$400,000 principal amount) into Armour common stock and that those shares, together with any other shares of Armour common stock owned by the "Prince Interests" on January 27, 1969, would be tendered directly to the Tender Agent. On January 28, 1969, 491,072 shares of Armour were deposited with the Tender Agent pursuant to this agreement. Subsequently, the Deben-Armour were converted into 7,821 shares of Armour common stock; and these shares were deposited with the Tender Agent on January 31, 1969.

In the other letter agreement with Greyhound, William Wood Prince and James F. Donovan agreed, individually and as trustees of the "Prince Interests", to vote as Greyhound directs any shares of Armour common stock so registered in their names on January 7, 1969. BGreyhound has not given, and has no present understanding that it will give, any direction pursuant to this agreement.

On January 31, 1969, 241,360 shares of Armour common stock (in addition to the 498,893 shares deposited by the "Prince Interests") have been deposited with the Tender and the Forwarding agents. All of these shares and the shares deposited by the "Prince Interests", to the extent puring agents. All of these shares and the shares deposited by the "Prince Interests", to the extent purchased, will be purchased for \$70.00 a share and may be withdrawn before 5:00 P.M. Chicago time on February 7, 1969.

Any proxies given on the enclosed Letter of Transmittal with respect to shares of Armour actually purchased by Greyhound pursuant to this effer will be voted by the persons named therein at Armour's annual meeting to be held February 21, 1969 or any adjournments thereof for such candidates as the named proxies in their discretion may determine.

Directors of Greyhound, their principal occupations and business addresses are: Frederick W. Ackerman, Honorary Chairman of the Board of The Greyhound Corporation; 371 Market Street, San Francisco, California; Gerald II. Trautman, President and Chief Executive Officer of The Greyhound Corporation; Jess Nicks, Vice President of The Greyhound Corporation, both of whose business ad-Corporation; Jess Nicks, Vice President of The Greyhound Corporation, both of whose business addresses are 10 South Riverside Plaza, Chicago, Illinois; Henry A. Montague, President of Greyhound; Edward R. Marek, Vice President of Greyhound; Max W. Harman, Vice President of Greyhound; Edward R. Marek, Vice President of Greyhound; Max W. Harman, Vice President of Greyhound; James E. Rather, President of Prophet Foods Co.; all of whose business addresses are 2301 West Lafayette Boulevard, Detroit, Michigan; Charles S. Munson, Chairman of Executive Committee of Air Reduction Company, Inc., 150 East 42nd Street, New York, New York; and Peter J. Monaghan, Attorney at Law, 1732 Build Building, Detroit, Michigan.

Officers of Greyhound in addition to those referred to above are Ermo Bartoletti, Boger B. Burr, John H. DeSaye, Eugene A. Kray, and George W. Thorsen, Vice Freedoms, all of whom are employed full time at 2301 West Lafayette Boulevard, Detroit, Michigan, and George T. Christie, Secretary, and F. Edward Lake, Treasurer. Mr. Christie's and Mr. Lake's principal occupations are as Sectory, and Treasurer, respectively of The Greyhound Corporation at 10 South Riverside Plaza, Chicago, Illinois.

DEFENDANTS' EXHIBIT NO. A-56:

AMENDMENT #1 TO HOST S-1 REGISTRATION STATEMENT

# SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D. G. 20549

POST-EFFECTIVE AMENDMENT No. 1

to

FORM S-1

REGISTRATION STATEMENT

Under

THE SECURITIES ACT OF 1933

# General Host Corporation

(Exact name of registrant as specified in charter)

245 Park Avenue New York, New York 10017 (Address of principal offices)

#### PART II

# INFORMATION NOT REQUIRED IN PROSPECTUS

# Item 31. Financial Statements and Exhibits.

- (b) Exhibits:
  - 4.1-2 Amended Certificate for Warrant (Exhibit 4.1).
  - 4.2-1 —Form of Supplemental Indenture dated as of January 31, 1969 to Indenture (Exhibit 4.2).

#### SIGNATURES

This Amendment to the Registration Statement to be signed on its behalf by the undersigned the reunto duly authorized, in the City of New York, State of New York, on the 31st day of muary, 1969.

#### GENERAL HOST CORPORATION

Pursuant to the requirements of the Securities Act of 1933, this Amendment to the Registration Statement has been signed below by the following persons in the capacities and on the date indicated:

Signature	Title	Date
RICHARD C. PISTELL®	Chairman of the Board and Director (Principal Executive Officer)	January 31, 19
(Richard C. Pistell)		
HARRIS J. ASHTON®	President and Director	January 31, 19
(Harris J. Ashton)		
JOHN M. KINGSLEY, JR.*	Vice President and Treasurer	January 31, 1
(John M. Kingeley, Jr.)	(Principal Financial Officer)	
JOHN P. GLYNN*	Controller (Principal	January 31, 1
(John P. Glynn)	Accounting Officer)	
C. Whitcome Alden, Jr.*	Director	January 31, 1
(C. Whitcomb Alden, Jr.)		
JOSEPH P. BINNS®	Director	January 31, 1
(Joseph P. Binns)		
WILLIAM F. DOWNEY*	Secretary and Director	January 31, 1
(William F. Downey)		
WESTON E. HAMILTON®	Director	January 31,
(Weston E. Hamilton)		
WM. P. Howe, Jr.*	Director	January 31,
(Wm. P. Howe, Jr.)		
J. ELROY McCAW*	Director	January 31, 1
(J. Elroy McCaw)		
EDWIN C. McDonald*	Director	January 31, 1
(Edwin C. McDonald)		
	Director	January ,
(Leslie W. Scott)		

JA1424a

# DEFENDANTS' EXHIBIT NO. A-58:

LETTER FROM SULLIVAN & CROMWELL TO SEC, DATED FEBRUARY 6, 1969

JA1424&

.7, AVENUE MATIONON, PARIS 6\*
TELEPHONE 359-08-00
TELEX: 25970
CABLE ADDRESS: LADYCOURT, PARIS

#### SULLYAN & CROMWELL

TELEPHONG: ZIZ HANOVER Z-8100 TELEX: 62694 CABLE ADDRESS: LADYCOURT, NEW YORK 48 Wall Street, New York, 18005

February 6, 1969

Hon. Manuel F. Cohen,
Chairman,
Securities and Exchange Commission,
Washington, D.C. 20549.

Re: Armour and Company - General Host Corporation

Dear Mr. Cohen:

On the morning of January 31, the day after the General Host registration statement for the Armour exchange offer became effective, there were two substantial transactions in Armour stock which seem to us to have been in violation of Rule 10b-6.

We base this statement on a telephone conversation on February 4 between my partner, Robert MacCrate, and Mr. Goldfeld of Kleiner, Bell & Co., Incorporated, one of the Dealer Managers in the exchange offer, and on the deposition of Ralph J. Shapiro of Kleiner, Bell taken in Beverly Hills, California on February 3 which was filed yesterday with Judge Weinfeld of the United States District Court of New York in Armour and Company and McClure Kelley v. General Host Corporation, Allen & Company Incorporated, Kleiner, Bell & Co., Incorporated et al. In this suit Armour seeks an injunction against the exchange offer on the basis that it is unfair and fraudulent to Armour's stockholders, and also an injunction against purchases by General Host and the Dealer Managers (Kleiner, Bell & Co., Incorporated and Allen & Company Incorporated) of Armour stock on the basis that such purchases would violate Rule 10b-6.

The first of the transactions referred to above which we believe violates Rule 10b-6 was the purchase of 25,000 Armour shares on the Pacific Coast Stock Exchange at a price of \$71 per share. We understand that the sellers were two mutual funds acting through Kleiner, Bell, and that the buyer was Great American Life Insurance Company, also acting through Kleiner, Bell. The second transaction was the purchase of 112,400 Armour shares on the Midwest Stock Exchange, also at a price of \$71 per share. We understand that the seller was a Mr. Grossi who sold through A. G. Becker & Co. Incorporated and that the buyer was again Great American Life, purchasing through Kleiner, Bell. We are advised that at the time of these trades the price of Armour stock on the New York Stock Exchange was lower than \$71. On the afternoon of January 31, the President of General Host authorized a release to Dow Jones that he believed that the two blocks of Armour stock "went in friendly hands."

Great American Life is a subsidiary of Great American Holding Corporation. Recently, National General Corporation acquired control of Great American Holding through an exchange offer in which Allen and Kleiner, Bell were also Dealer Managers. As we understand it, National General now owns in excess of 75% of Great American Holding and is continuing its exchange offer to acquire the remainder of Great American Holding's stock.

Mr. Herbert Allen, Jr., President of Allen & Company Incorporated, is a director of National General and on January 14, 1969 was elected a director of Great American Holding. According to the proxy statement relating to Great American Holding's stockholders meeting on January 14, 1969 at

which Mr. Allen was elected a director, Mr. Allen and his affiliated corporations, partnership and family trusts own beneficially 50,100 shares of National General stock.

Mr. Allen and Allen & Company Incorporated as a Dealer Manager and through his stockholdings in National General and his directorships in that company and in Great American Holding, and presumably in Great American Life, were obviously interested in the purchases of Armour stock made by the latter on January 31 and also may have induced such purchases. Indeed we have been told that these purchases were made upon the specific instructions of National General. In view of the connections between Allen and Kleiner, Bell, as Dealer Managers of both the National General and General Host exchange offers, we do not see how these purchases can possibly be regarded as unsolicited brokerage transactions for the purpose of Rule 10b-6.

In addition to the foregoing, Mr. Ralph J. Shapiro of Kleiner, Bell, in the course of his deposition referred to above, stated that Burt S. Kleiner and he purchased individually 1,900 and 1,000 shares of Armour stock, respectively, in the period subsequent to December 30, 1968, when General Host's registration statement naming Allen and Kleiner, Bell as Dealer Managers was filed with the SEC.

We had always understood that the Commission and its Staff construed Rule 10b-6, as it applies to an exchange offer, to prohibit the issuer or any underwriter from purchasing not only the securities being offered in exchange, but also the securities of the target company since the latter are immediately exchangeable for the securities of the offeror and also constitute a right to purchase the securities of the offeror. We had also always understood that a dealer manager

in an exchange offer was an underwriter for the purpose of Rule 10b-6 since a firm acting as dealer manager agrees with the offeror to assist in the distribution to the stockholders of the target company and in effect manages such distribution. Assuming this is correct, Kleiner, Bell and Allen, as Dealer Managers, were underwriters. Also, we had always understood that a dealer manager became a prospective underwriter within the meaning of Rule 10b-6 when it reached an understanding with the issuer that it would act as a dealer manager. Since here that occurred at least as early as the filing of General . Host's registration statement on December 30, 1968, we would · think that from then forward Kleiner, Bell and Allen, and the persons who control these firms, were prohibited from purchasing any Armour stock for their own accounts or inducing such purchases by others. Unless we are incorrect in these interpretations, the purchases of Armour stock by Great American Life and by Burt S. Kleiner and Ralph J. Shapiro, as described above, were in violation of Rule 10b-6.

The purchases of Armour stock on January 31 by
Great American Life and various other purchases on the
Exchanges since January 30, in respect of which we are
advised that the principal brokers have been Kleiner, Bell
and Arthur Lipper Corporation (which we understand acts
regularly for the mutual funds operated by Bernard Cornfeld),
are consistent with a motivation to keep the price of Armour
stock above \$70 so that the shareholders of Armour will not
accept the outstanding \$70 cash tender offer made by a
subsidiary of The Greyhound Corporation. We are advised, for
example, that the trade of a 10,000 share block of Armour at
\$71 yesterday on the Pacific Coast Stock Exchange involved
Kleiner, Bell as broker for both the buyer and the seller.
If these purchases were for the purpose of manipulating the

Non. Manuel F. Cohen

market, or inducing others to purchase the General Host securities offered in the exchange offer by accepting such offer, they violated not only Rule 10b-6 but also Rule 10b-5 and Section 9(a)(2).

We have been unable to obtain from the New York Stock Exchange detailed information as to the brokers involved and the amounts of specific trades in Armour stock during recent days on that Exchange, and we have been advised that this information is available only upon subpoena.

In addition to the foregoing, we call your attention to the fact that on January 31, 1968, the day after General Host's registration statement became effective, we were unable, despite diligent efforts, to obtain any copy of General Host's prospectus until the end of the day. We were told that General Host did not commence mailing its prospectuses to Armour stockholders until the evening of January 31 and that the mailing continued over the subsequent weekend. Despite the apparent unavailability of prospectuses until after the close of business on January 31, the President of General Host announced publicly that more than 700,000 Armour shares had been deposited on January 31 in acceptance of the exchange offer. The receipt of an irrevocable deposit of shares prior to the time prospectuses were furnished to depositors would be a violation of Section 5 of the Securities Act of 1933. By his public statement the President of General Host indicated that the exchange offer was proceeding in a highly successful manner. It seems clear that under the circumstances this announcement violated Rule 10b-5.

We respectfully suggest that if the information we have received, as related above, is true and correct, there

Hon. Manuel F. Cohen

would be violations of the laws administered by the Commission. Accordingly, we request that the Commission determine whether it is appropriate to order an investigation to ascertain the truth and accuracy of such information and existence of any violations of such laws.

We have so far been hampered by the laws of evidence from introducing any of the foregoing alleged facts in the suit referred to in the second paragraph of this letter. We would greatly appreciate it if you would ascertain the true facts and the evidence backing them up so that they will be available to you, to the Curt and to the interested parties.

of the Division of Trading and Markets, and am also sending copies to Judge Weinfeld, to William F. Downey, counsel for General Host, to George M. Duff, Jr., counsel for Allen & Company Incorporated and to Lewis D. Lowenfels, counsel for Kleiner, Bell & Co., Incorporated.

Sincerely yours,

Robert A. McDowell

JA1429a

# DEFENDANTS' EXHIBIT NO. A-59:

ADVERTISEMENT RE GREYHOUND TENDER OFFER, DATED FEBRUARY 6, 1969

IMPORTANT ANNOUNCEMENT!

n Francisco, Calif. 94120

Dealer Manager LEHMAN BROTHERS One William Street New York, New York 10004

Assistance also may be obtained from members of the National Association of Securities Dealers or The Greyhound Corporation, 10 S. Riverside Plaza, Chicago, Illinois 60606. Telephone: 312 346-7560

We urge you to consider the following facts:

- We urgs you to consider the following facts:

  Greyhound's offer will expire at 5 P.M. (Chicago time) Monday, February 10, 1969.

  William Wood Prince, Armour's Chairman, the "Prince Trusts" and certain other Armour directors have tendered their shares to Greyhound, evidencing their preference for the Greyhound offer over the General Host affers.

  Greyhound must accept up to 2,500,000 shares and may efect to purchase additional shares. If more than 2,500,000 singres are tendered, and Greyhound does not elect to purchase all the excess, all shareholders lincluding the "Prince Interests") will be treated alike and shares will be accepted on a pro-rate basis.

  General Host will not accept any tendered Armour shares in obtains more than 50 per cent of the last and any Armour shares. If Greyhound purchases and 100, then its holdings in Armour would represent the provisional general Host may find that he has pone of his shares accepted by General Host and that the Greyhound offer has expired.

  The Illinois Securities Commissioner has entered a temporary order prohibiting General Host to a temporary order to a temporary order

The Illinois Securities Commissioner has entered a semporary order prohibiting General Host from making its affect in that State. The reason given was that the affect may be unfair to Armon stockholders. A hearing on this matter is scheduled for February 7, 1969.

Holders of Armout and Company's 41/2 per cent Convertible Subordinated Debentures may convert these debentures into Armour Common, Stock for tender to Greyhound. To determine the searchanics to be followed, contect: Benking Trust Company, Corporate Trust Department, 16 wall street, New York, New York or the First National Bank of Childego, Corporate Trust Department, 4th Flaor, 38 Sauth Department, Steel, Chicago, Illinois.

### DEFENDANTS' EXHIBIT NO. A-60:

LETTER FROM SULLIVAN & CROMWELL TO SEC, DATED FEBRUARY 7, 1969

TELEM. 28970

CABLE ADDRESS: LADYCOURT, PARKS

A-60

### SULLIVAN & CROMWELL

TOURSHONE: 212 MANOVER 2-8100
TELEX: 62694
CABLE ADDRESS: LADYCOURT, NEW YORK

48 Wall Street, New York ,10005

February 7, 1969

Hon. Manuel F. Cohen,
Chairman,
Securities and Exchange Commission,
Washington, D. C. 20549.

Re: Armour and Company - General Host Corporation
Dear Mr. Cohen:

In talking again with my partner, Robert MacCrate, this morning, I find that the reference in the second paragraph in my letter of February 6 to a telephone conversation on February 4 between Mr. MacCrate and Mr. Goldfeld, the general counsel of Kleiner, Bell & Co., Incorporated, was in error. In fact this conversation was on February 5 and was between Mr. MacCrate and Mr. Lowenfels of the firm of Goldfeld, Charak, Tolins & Lowenfels, attorneys for Kleiner, Bell & Co., Incorporated.

Sincerely yours,

Robert A. McDowell

JA14320/

DEFENDANTS' EXHIBIT NO. A-61:

CONNOLLY, BOVE OPINION LETTER, DATED FEBRUARY 7, 1969

ARTHUR G. C WEHNER H. JANUAR D. B BRIERETON S HATHAN BAR THOMAS S. I JACOD C. R. A. BECT E. B. NICHOLAS E. EALL CHRIS GICHARD G. JAMES M. M. ACINUH G. AUDOLF E.

LAW OFFICES

CONNOLLY, BOVE & LODGE

THE FARMERS BANK DUILDING

WILMINGTON, DELAWARE 19899

CABLE ADDRESS: AHTCOM

AHEA CODE 302-658-4116

February 7, 1969

GH-annouse

F, L. PETER STONE
JOHN E. CROWE (N. Y. BAR)
MAROLD PEZINER
JOHN D. FAIRCHILD (MICH. BAR)
FRANCIS J. THZUSKOVSKI
MICHAEL N. CASTLE
WILLIAM J. WIER, JR.
PETER J. WALSH
RICHARD M. BECK (O. C. BER)
PAUL E. CRAWFORD

General Host Corporation 245 Park Avenue New York, New York 10017

Re: Shareholder proposal for the annual meeting of Armour and Company to be held February 21, 1969.

Gentlemen:

RTHUR G. CONNOLLY

SMAS 5 . LOU. F

TE BOYLE

JAMES M. MULLIGAN, JR. ARTHUR G. CONNOLLY, JR. BUDOLF E. HUTZ

RICHARD E. CORNWELL ID. C. BARI

DIAS E. COLCENY, JR. (D. C. BAC)

ANUAR D. BOVE

BRERETON STUP

VERNER H. HUTT WIT WAR

This is in response to your request for an opinion regarding a stockholder proposal to be presented by General Host Corporation at the forthcoming annual meeting of Armour and Company to be held February 21, 1969. We are advised that pursuant to 8 Del. C. \$109, the Armour and Company to the pursuant to 8 Del. C. \$109, the Armour and Company to the board of directors is authorized "to make, alter, or the board of directors is authorized "to make, alter, or repeal the by-laws of the corporation." General Host Corporation proposes to solicit proxies for the purpose of acting upon its prorosal to amend the by-laws of Armour and Company upon its prorosal to amend the by-laws of Armour and Company upon its prorosal to amend the by-laws of shareholders may be called at the request of holders of 25% or more of the outstanding common stock of the company. You have requested our opinion as to whether Article Tenth of the certificate of incorporation precludes shareholders from amending the by-laws as set forth in said proposal.

To our knowledge there are no reported opinions which have been addressed to the precise issue under consideration. However, we have reviewed the pertinent statutory and case law and are of the opinion that a Delaware court would rule, rotwithstanding the above Article Tenth provision, would rule shareholders retain the power to amend the by-laws and that the subject proposal is therefore a proper matter for shareholder action at the forthcoming meeting.

Very truly yours,

Pring / Wall Peter J. Walsh JA14330/

DEFENDANTS' EXHIBIT NO. A-62:

ARTICLE IN WALL STREET JOURNAL, DATED, FEBRUARY 7, 1969

# Armour Steps Up Legal Moves in States In Bid to Block Offer by General Host

By IC AME SMITHLES

Staff Reporter ... WALL STREET JOURNAL

CHICAGO - Acros m & Co.'s legal skirmishing aimed at the using the take-over bid of General Host Corp. stupped around to a number of state capitals, where the diversified trees packer sought assistance from regulatory and some es.

forts to solicit shareholder proxies for the management slate of directors at the Armour analytic meeting Feb. 21.

General Host is making a tender offer to acquire control of Armour and earlier this week aid it would seek to elect three directors to Armour's 17-man board. Under the stagger system, Armour shareholders will elect six directors at the annual meeting for three-year terms. Armour employes were said to be "working down the list" of stockholders in seeking support for management.

Armour is actively supporting Greybound Corp.'s \$70-a-share tender office for the company's common stock. William Wood Prince, Armour chairman, recently described the Greybound offer as one that should receive the "serious consideration" of stockholders. Mr. Prince and his family interests have already tendered 4 9,072 shares to Greybound.

Moves in Several States

Illustrating the evident closeness of the contest for control of the diversified meat packer. Armour's attorneys have approached the securities commissions of a number of states, charging that the General Host offer is "inequitable." The securities commissions of Illinois, Wisconsin and Kentucky already have taken action on the Armour objections and, according to a company spokesman, "several" other states have been approached to invoke their securities regulations against the offer. He declined to identify the other states involved.

General Host, which recently said it potentially controls some 28% of the company's shares, either owned or tendered, is seeking to acquire at least 50% of the outstanding stock. Its exchange offer, scheduled to expire next Friday, is contingent upon tenders for at least half of the shares.

Armour has 6.1 million common shares outstanding.

Under the General Host proposal, each share of Armour common or each \$51.14 principal amount of its 4½% convertible debentures would be exchanged for a package consisting of \$60 of General Host 7% debentures and 2½ warrants to purchase the company's common at \$40 a share.

The Greyhound offer sets a cash price of \$70 a share for the Armour common and expires at the close of business Monday. The diversified bus transportation operator is seeking to purchase 2.5 million shares.

Greyhound Purchases

As of a week ago, Greyhound said it had acquired 20.3% of Armour's outstanding stock, or 1,240,253 shares. This included 500,000 shares acquired on the open market last week at \$70 a share and which Greyhound says won't be counted as part of its proposal to acquire 2.5 million shares.

Last week, Thomas J. Hawekotte, Illinois securities commissioner, issued an order prohibiting General Host from making its exchange offer to Illinois residents. A hearing on that order is scheduled for this morning in Springfield.

Last Tuesday, at the instigation of Sullivan & Cromwell, New York attorneys representing Armour, the Securities division of the state of Kentucky issued a "stop order" barring the General Host proposal there. Wayne Hougland, attorner for the division, estimated that about 192 residents of the state hold 17,000 shares of Armour stock.

Mr. Hougland said the petition filed by Arriour calling the matter to the state's attention was based on an alleged failure of General Host to disclose "material information" and also the allegation that the offer is "inequitable."

A hearing on the Kentucky stop order is slated in Frankfert, Ky., next Tuesday morning. However, Mr. Houghand indicated that a decision may possibly be accelerated prior to that time.

This morning in Madison, Wis., Thomas Nelson, securities commissioner for Wisconsin, is scheduled to rule whether General Host's debentures and warrants can be registered for offer to the state's residents. General Host has petitioned for the registration, he said, but that application is being opposed by Armour on the ground that it's "unfair and inequitable" for Armour shareholders.

Mr. Nelson said that either company may request a hearing on his decision.

An estimated 47,000 Armour shares are held

by about 580 Wisconsin residents, Mr. Net estimated.

Illinois stockholders are believed to account for about 30% of Armour's outstanding when There are an estimated 3,000 shareholders in the state.

Mr. Hawekotte, Illinois securities commessioner, said that Illinois stockholders are blieved to account for about 30% of outstandar shares. He added that there are an estimate, 3,000 stockholders in the state.

However, an Armour spokesman said 11nois residents held a smaller percentage of the company's stock, but he declined to disclarathe actual amount.

General Host's Reaction

Commenting on the Kentucky developmen, Harris J. Ashton, president of General Heat, termed the action "a further example of harassment by Armour management with the effect of denying Kentucky shareholders the right of free choice of competing offers on the open market."

At least one major Armour stockholder appeared uncertain which of the two competing offers to accept. A spokesman for Technology Fund Inc., Chicago, for example, noted that a decision of whether to accept the Greyhound offer won't "be made before Monday." He said the fund holds close to 120,000 shares of Armour stock.

"We were not at all enamored with the first General Host offer," he explained, "but the second proposal is something else again."

The first General Host offer supulated that it would exchange for each Armour share \$60 of its 7% subordinated debentures and 1.5 warrants to purchase General Host common at \$45 a share.

The outcome of the struggle for control of Armour may lie in the decisions to be issued by the various state security commissions, some analysts say. Should Illinois, for example, decide to extend its prohibition of the General Host offer, it would be "a mortal blow" to that company's take-over attempt, one observer commented.

If the Illinois order is extended it could prevent a large number of Armour shares from being tendered to General Host, thus perhaps preventing General Host from attaining its 50°; goal. General Host has announced that it could return all shares if 50% of Armour's stock isn't tendered.

But General Host disputed that the Illinois decision was important. "The success of General Host's exchange offer to holders of Armour...doesn't in any way depend on a ruling by the Illinois Securities Commission." Richard C. Pistell, General Host chairman said.

He contended that most Armour stock held in Illinois is owned by the Prince interests (which have tendered their shares to Greyhound) or other members of Armour management and their friends, "who wouldn't tender to General Host anyway."

However, Mr. Pistell added, "It would . . . be unfortunate if independent stockholders in Illinois weren't afforded the opportunity to make a choice."

Armour, seventh most active, slipped 4 to 70%. Several states issued a stop order barring General Host from offering its securities to Armour shareholders.

JA14340/

DEFENDANTS' EXHIBIT NO. A-63:

LETTER FROM GREYHOUND TO ARMOUR SHAREHOLDERS,
DATED FEBRUARY 10, 1969

## THE GREYHOUND CORPORATION

10 SOUTH RIVERSIDE PLAZA CHICAGO, ILLINOIS 60606

OFFICE OF THE PRESIDENT

February 10, 1969

To the Holders of

Armour and Company Common Stock:

Greyhound Food Management, Inc. will purchase without proration all shares of Armour and Company common stock tendered to it prior to 5:00 P.M., Chicago time, Thursday, February 13, 1969 at \$72.00 per share net of commissions and transfer taxes. All shares of Armour heretofore tendered are deemed to be irrevocably deposited and will be purchased at the increased price of \$72.00 per share.

Copies of Greyhound's Revised Offer dated January 31, 1969 and the related Letter of Transmittal may be obtained from Continental Illinois National Bank & Trust Company of Chicago, 231 South La Salle Street, Chicago, First National City Bank, 111 Wall Street, New York City, or Bank of America N.T. & S.A., 1 South Van Ness Street, San Francisco.

Very truly yours,

THE GREYHOUND CORPORATION

Gerald II. Trautman
President

DEFENDANTS' EXHIBIT NO. A-64:

SUPPLEMENTAL ARMOUR PROXY STATEMENT, DATED FEBRUARY 10, 1969

1: Ly man



ARMOUR AND COMPANY CHICAGO, ILLINOIS 60680

WHE IAM VOOD PRING

February 10, 1969

### To Armour Stockholders:

Since forwarding you our proxy statement for the annual meeting of stockholders to be held February 21, 1969, there have been some developments of which you should be aware.

General Host Corporation, which is making a tender offer in an attempt to gain control of Armour, is now soliciting proxics to elect its own nominees to the Armour board at the annual meeting.

Any directors General Host might elect to the Armour board through cumulative voting can be expected to represent principally the interests of General Host rather than the interests of Armour stockholders as a whole. Certainly no stockholder who refuses to tender his shares to General Host should vote to elect its nominees.

Enclosed is supplemental proxy material which we urge you to read carefully. We also request you to execute and return the enclosed proxy card immediately, whether or not you have previously forwarded us your proxy.

Yours sincerely,

WILLIAM WOOD PRINCE

# Armour and Company

## SUPPLEMENT TO MANAGEMENT'S JANUARY 17, 1969, PROXY STATEMENT

To the Holders of Common Stock of Armour and Company ("Armour"):

Enclosed herewith are:

- (1) Reprint of newspaper letter to Armour stockholders dated February 10, 1969.
- (2) Proxy card and postage-paid return envelope.

Since January 17, 1969, the date of the proxy statement of Armour's Management ("Management") previously mailed to Armour stockholders, General Host Corporation ("General Host") has announced that it intends to propose its own nominees for election as directors of Armour at the annual meeting of Armour's stockholders to be held on Friday, February 21, 1969, at 10:00 a.m. in the Assembly Hall Auditorium in the Prudential Building, Prudential Plaza, 130 East Randolph Street, Chicago, Illinois.

The principal purpose of the annual meeting is to elect six directors for terms of three years each, and Management continues to solicit proxies for the election of its six nominees, each of whom is now a director of Armour: MODESTUS R. BAUER, JAMES R. LEAVELL, CHARLES S. POTTER, is now a director of Armour: MODESTUS R. BAUER, JAMES R. LEAVELL, CHARLES S. POTTER, is now a director of Armour: MODESTUS R. BAUER, JAMES R. LEAVELL, CHARLES S. POTTER, is now a director of Armour: MODESTUS R. BAUER, JAMES R. LEAVELL, CHARLES S. POTTER, is now a director of Armour: MODESTUS R. BAUER, JAMES R. LEAVELL, CHARLES S. POTTER, is now a director of Armour: MODESTUS R. BAUER, JAMES R. LEAVELL, CHARLES S. POTTER, is now a director of Armour: MODESTUS R. BAUER, JAMES R. LEAVELL, CHARLES S. POTTER, is now a director of Armour: MODESTUS R. BAUER, JAMES R. LEAVELL, CHARLES S. POTTER, is now a director of Armour: MODESTUS R. BAUER, JAMES R. LEAVELL, CHARLES S. POTTER, is now a director of Armour: MODESTUS R. BAUER, JAMES R. LEAVELL, CHARLES S. POTTER, is now a director of Armour: MODESTUS R. BAUER, JAMES R. LEAVELL, CHARLES S. POTTER, is now a director of Armour: MODESTUS R. BAUER, JAMES R. LEAVELL, CHARLES S. POTTER, is now a director of Armour: MODESTUS R. BAUER, JAMES R. LEAVELL, CHARLES S. POTTER, is now a director of Armour: MODESTUS R. BAUER, JAMES R. LEAVELL, CHARLES S. POTTER, is now a director of Armour: MODESTUS R. BAUER, JAMES R. LEAVELL, CHARLES S. POTTER, is now a director of Armour: MODESTUS R. BAUER, JAMES R. LEAVELL, CHARLES S. POTTER, is now a director of Armour: MODESTUS R. BAUER, JAMES R. LEAVELL, CHARLES S. POTTER, is now a director of Armour: MODESTUS R. BAUER, JAMES R. LEAVELL, CHARLES S. POTTER, is now a director of Armour: MODESTUS R. BAUER, JAMES R. LEAVELL, CHARLES R. LEA

Stockholders of record on January 7, 1969, are entitled to vote at the annual meeting. Your signing and returning the enclosed Management proxy will in no way interfere with any acceptance you may have made or may in the future make of any tender offer or exchange offer made for your Armour have made or may in the future make of any tender offer or exchange offer made for your Armour stock. Common Stock. You are entitled to vote at the annual meeting even if you have sold your Armour stock.

Management urges you immediately to sign, date and mail the accompanying proxy in the enclosed, self-addressed, postage-paid envelope whether or not you expect to attend the meeting in person and whether or not you have already executed and delivered a Management proxy or any other proxy. You may revoke your proxy for any reason at any time prior to the voting thereof.

Armour will bear all costs in connection with Management's solicitation of proxies. In addition to the solicitation of proxies by the use of the mails, certain officers and other regular employees (principally junior executives and clerical personnel) of Armour have been devoting and will continue to devote part of their time to the solicitation of proxies by telegraph, telephone or personal calls. Georgeson & Co. of New York City has been retained to aid Management in its solicitation at a cost now estimated to be \$7,500, and expects to utilize ten persons in such endeavor.

The complete costs of fees and expenses to be incurred in connection with this solicitation are not expected to exceed the amount normally expended for a solicitation for an election of directors in the absence of a contest by more than approximately \$25,500, excluding costs represented by salaries and wages of Armour's regular employees and officers who devote part of their time to the solicitation of proxies. To date, Armour has expended \$15,500 in connection with the solicitation.

# Supplemental Information Concerning Management's Nominces and Directors

The following information supplements the information contained in Management's January 17, 1969,

Prevy Statement:		Securities of	
	Principal Occupation and	the Company Beneficially Dwned	
N me	Business Address	February 6, 1969*	
Nominees for Terms Expiring at Annual Meeting in 1972		— — — — — — — — — — — — — — — — — — —	
Modestus R. Bauer	Personal Investments, Twenty 37th Place, Long Beach, California 90803	163,727 shares of Common(1)	
James R. Leavell	Retired (formerly President of Continental Illinois National Bank and Trust Company of Chicago) P.O. Box 689, Ocean Springs, Mississippi 39564	586 shares of Common(2)	
Charles S. Potter	President, The Union Stock Yard & Transit Company of Chicago (operates Chicago Stock Yards) Room 120— Exchange Eldg., Chicago, Illinois 60609	700 shares of Common(3)	
Milton Steinbach	Investment Banker, Wertheim & Co. (investment bank- ing) 1 Chase Manhattan Plaza, New York, New York 10005	72,711 shares of Common(4)	
A. Thomas Taylor	Chairman of the Board and Chief Executive Officer, IPL inc. (world-wide marketing, cattle ranching and food processing) 401 North Michigan Avenue, Chicago, Illinois 60611	772 shares of Common(5) 130 shares of \$4.75 Preferred	
Perry A. White	President, Baldwin-Lima-Hamilton Corporation, a sub- sidiary of Armour and Company, 401 North Wabash Avenue, P.O. Box 9222 Chicago, Illinois 60690	3,240 shares of Common(6) \$100 4½% Debentures	
Directors Whose Terms Expire at Annual Meeting in 1970			
Chris L. Christensen	Personal Investments, 600 Atlas Life Building, Tulsa, Oklahoma 74103	100 shares of Common (7)	
James F. Donovan	Trustee, Frederick Henry Prince Trusts (managing wholly-owned subsidiaries which operate stock yards, build, sell am lease industrial real estate and engage in other related activities) First National Bank Bldg., 38 South Dearborn Street, Suite 1307, Chicago, Illinois 60603	1,525 shares of Common(8)	
Homer J. Livingston	Retired (formerly Chairman of the Board, The First National Bank of Chicago) 38 South Dearborn Street, Chicago, Illinois 60690	148 shares of Common(9) \$1,000 41/2% Debentures	
George A. Rentschler	Personal Investments, One Sutton Place South, New York, New York 10022	12,765 shares of Common(10) 9,581 shares of 4.75 Preferred	
Edward W. Wilson	Retired (formerly Vice Chairman of the Board, Armour and Company) 918 William Street, River Forest, Illinois 60305	11,194 shares of Common(11, \$14,000 41/2% Debentures	
Directors Whose Terms Expire at Annual Meeting in 1971			
E. Taylor Chewning	President, The United Clay Products Company (manufacturers of clay products) 931 Investment Building, Washington, D.C. 20005	669 shares of Common(12) \$3,500 41/2% Debentures	
Even T. Collinsworth, Jr.	Group Vice President, Armour and Company, 401 North Wabash Avenue, P.O. Box 9222, Chicago, Itlinois 60690	4,250 shares of Common (13) \$14,000 41/2% Debentures	
min D Com	Group Vice President Armour and Company, 401 North	1,342 shares of Common (14	

Group Vice President, Armour and Company, 401 North Wabash Avenue, P.O. Box 9222, Chicago, Illinois 60690 Group Vice President, Armour and Company, 401 North Wabash Avenue, P.O. Box 9222, Chicago, Illinois 60690 Executive Vice President, Armour and Company; President, Armour-Dial, Inc., 401 North Wabash Avenue, P.O. Box 9222, Chicago, Illinois 60690 President, Armour and Company, 401 North Wabash Avenue, P.O. Box 9222, Chicago, Illinois 60690

Clifton B. Cox

David L. Duensing

Charles R. Orem

William Wood Prince

Chairman of the Board and Chief Executive Officer, Armour and Company, 401 North Wabash Avenue, P.O. Box 9222, Chicago, Illinois 60690 1,342 shares of Common(14) \$28,000 41/2% Debentures

1,433 shares of Common(15) \$38,000 41/2% Debentures

200 shares of Common(16) \$45,000 4½% Debentures

55,072 shares of Common(17) 65 shares of \$4.75 Freferred \$80,000 4½% Debentures

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- Includes 55,072, 100,040, 72,711 and 31,389 shares of Common tendered to Greyhound Food Management, Inc. ("Greyhound"), a subsidiary of The Greyhound Corporation, by Mr. Prince, Mr. Bauer, Mr. Steinbach and his associates, and all other nominees and directors and their associates as a group, respectively. In addition, 443,821 shares owned by associates of Mr. Prince have been tendered to Greyhound.
- (1) On February 3, 1969, Mr. Bauer converted \$700,000 principal amount 41/2% Convertible Subordinated Debentures into 13,687 shares of Common. On February 4, 1969, Mr. Bauer tendered to Greyhound 106,040 shares of Common.
- (2) On January 29, 1969, Mr. Leavell tendered to Greyhound 500 shares of Common and converted \$4,400 principal amount 41/2% Convertible Subordinated Debentures into 86 shares of Common, and tendered them to Greyhound on February 3, 1969.
- (3) On January 28 and 30, 1969, Mr. Potter tendered to Greyhound 128 and 50 shares of Common. On February 4, 1969, Mr. Potter converted \$700 principal amount 4½% Convertible Subordinated Debentures into 13 shares of Common. Mr. Potter states that he has no beneficial interest in either the 500 shares of Common owned by his wife and tendered to Greyhound on January 31, 1969, or the 9 shares of Common owned by his daughter.
- (4) On January 31, 1969, Mr. Steinbach, Wertheim & Co., in which Mr. Steinbach is a partner, and Mr. Steinbach's wife tendered to Greyhound 18,354, 40,967 and 13,390 shares of Common, respectively. Mr. Steinbach states that he has no beneficial interest in the shares owned by his wife.
- (5) On February 3, 1969, Mr. Taylor tendered to Greyhound 530 shares of Common. Mr. Taylor states that he has no beneficial interest in the 242 shares of Common owned by his wife and tendered to Greyhound on February 3, 1969.
- (6) On September 19, 1967, and on May 21, 1968, Mr. White sold 1,000 shares of Common and 416 shares of \$1.75 Preferred, respectively. On July 8, 1968, Mr. White purchased 1,000 shares of Common. On February 3, 1969, Mr. White tendered to Greyhound 3,226 shares of Common. Mr. White states that he has no beneficial interest in the 14 shares of Common or the \$100 4½% Convertible Subordinated Debenture owned by his daughter.
- (7) On January 30, 1969, Mr. Christensen sold 1,300 shares of Common and on February 5, 1969, Mr. Christensen tendered to Greyhound 100 shares of Common.
- (8) During 1967 and 1968, Mr. Donovan's wife and children (three of whom are still minors) bought and sold on various dates an aggregate of 897 shares of Common and on January 20, 1969, tendered to Greyhound 1,525 shares of Common.

  Mr. Donovan states that he has no beneficial interest in any shares owned by his wife and children.
- (9) On January 30, 1969, Mr. Livingston tendered to Greyhound 148 shares of Common.
- (10) On August 12, 1968, Mr. Rentschler sold 950 shares of Common and on February 1, 1969, Mr. Rentschler tendered to Greyhound 12,765 shares of Common.
- (11) From August 9 to 16, 1968, Mr. Wilson sold 1,079 shares of Common. On February 4 and 5, 1969, \$10,000 principal amount 4½% Convertible Subordinated Dependers was converted into 194 shares of Common. On February 6, 1969, Mr. Wilson tendered to Greyhound 11,194 shares of Common. Mr. Wilson disclaims any beneficial interest in the 195 shares of Common owned by Mr. Wilson's wife and tendered to Greyhound on February 6, 1969.
- (12) Includes 400 shares of Common and \$2,100 41/2% Convertible Subordinated Debentures owned by Continental Clay Products Company, of which E. Taylor Chewning is President and, together with his immediate family, is the beneficial owner of 70% of the capital stock.
- (13) On November 26, 1968, Mr. Collingworth exercised two stock options for an aggregate of 4,250 shares of Common at an aggregate purchase price of \$198,013. On January 30, 1969, Mr. Collingworth was awarded \$13,000 principal amount 4½% Convertible Subordinated Debentures by decision of the Board of Directors pursuant to Armour's 1968 Management Incentive Plan.
- (14) On December 17, 1968, Mr. Cox exercised a stock option for 1,000 shares of Common at an aggregate purchase price of \$36,600. On January 30, 1969, Mr. Cox was awarded \$21,000 principal amount 4½% Convertible Subordinated Debentures by decision of the Board of Directors pursuant to Armour's 1968 Management Incentive Plan.
- (15) On July 24, 1968, Mr. Ducusing exercised a stock option for 1.100 shares of Common at an aggregate purchase price of \$36,344. On January 20, 1969, Mr. Ducusing was awarded \$38,000 principal amount 12% Convertible Subordinated Debentures by decision of the Board of Directors pursuant to Armour's 1968 Management Incentive Plan.
- (16) On January 30, 1969, Mr. Orem was awarded \$42,000 principal amount 41/2% Convertible Subordinated Debentures by decision of the Board of Directors pursuant to Armour's 1968 Management Incentive Plan. On February 6, 1969, Mr. Orem tendered to Greyhound 200 shares of Common.
- (17) Mr. Prince sold 1,000, 500, 1,000, 5,500, 1,100, 1,200 and 800 shares of Common on July 20, 21, 24, 25, 26, 27 and 28, 1967, respectively. On January 30, 1969, he was awarded \$54,000 principal amount 41/2% Convertible Subordinated Debentures by decision of the Board of Directors pursuant to Armour's 1968 Management Incentive Plan. On January 28, 1969, he tendered 55,072 shares of Common to Greybound.
  - The Frederick Henry Prince Trust (1932), of which Mr. Prince is a Trustee and one of several income beneficiaries, owns all the outstanding shares of F. H. Prince & Co., Inc. an investment company, of which Mr. Prince is an officer and director, which owns directly or through subsidiaries, 256,400 shares of Armour Common. The Frederick Henry Prince Trust (1947), the Frederick Henry Prince Testamentary Trust and the Abbie Norman Prince Trust, of which 2fr. Prince is a Trustee, owns 54,000, 7,000 and 18,000 shares, respectively, of Common, and the Frederick Henry Prince Trust (1917) owns \$100,000 principal amount 44,7% Convertible Suberdineted Debeatures of Armour.
  - On January 28, 1969, all of the shares of Armour Common described in the preceding paragraph were tendered pursuant to the offer of Greyhound. On the same date the \$100,000 principal amount 41/2% Convertible Subordinated Debentures were converted into 7,821 shares of Armour Common, which were tendered on January 31, 1969, pursuant to the same offer.

During the past two years, two directors borrowed varying sums from commercial lenders in the ordinary excurse of their personal finances to finance the acquisition of Armour securities, but none of their Armour securities is pledged to secure such loans.

The Management has been advised since January 17, 1969, that of the net income to Wertheim & Co., as the manager of a group underwriting the offering of 1,894,119 shares of Armour-Dial, Inc., described on page 6 of Management's January 17, 1969, Proxy Statement, \$138,346.45 was received from Armour as Wertheim & Co.'s share of the stand-by fee received by the underwriting group.

Since January 17, 1969, Armour as lessee of the phosphate rock lands described on page 6 of Management's January 17, 1969, Proxy Statement has made additional royalty payments of \$150,000 to Crawford Real Estate Development Co. ("Crawford"); thus since the beginning of Armour's last fiscal year the total payments made to Crawford for phosphate rock mined from the leased lands aggregate \$940,000.

To Management's knowledge, no director of Armour has tendered any shares of Armour Common to General Host or has any present intention of doing so. For additional information concerning Management's position with reference to the Greyhound and General Host offers, your attention is invited to the enclosed reprint from Mr. Prince's newspaper letter to Armour's stockholders, dated February 10, 1969.

In announcing its proposed cash tender offer to Armour's stockholders, Greyhound stated that the offer would be made only if t' "Prince interests" agreed to tender their shares in response to the offer. Accordingly, Mr. Prince, on his own behalf, and as a co-trustee (with James F. Donovan, a director of Armour) of certain trusts, and James F. Donovan, as such co-trustee, have agreed with Greyhound to tender to it all the Armour shares owned by Mr. Prince and all such shares owned directly or indirectly by the trusts, and to vote such shares at the annual meeting as Greyhound may direct.

Although Greyhound has stated that it has no present intention of altering the present composition of Armour's board of directors, none of the Management nominees and directors has any understanding with Greyhound, Armour or any other person with respect to the future employment of such nominees and directors by Armour or with respect to any future transactions to which Armour will or may be a party, other than the employment contract between Armour and William Wood Prince described on page 5 of Management's January 17, 1969, Proxy Statement.

Except as modified and supplemented by the information contained herein, the information contained in Management's January 17, 1969, Proxy Statement has not changed.

MANAGEMENT URGES YOU TO DATE AND SIGN THE ENCLOSED PROXY AND RETURN IT PROMPTLY IN THE ENVELOPE PROVIDED, WHETHER OR NOT YOU HAVE PREVIOUSLY FORWARDED ARMOUR YOUR PROXY.

By Order of the Board of Directors,
LOUIS R. MILLER,
Secretary

Chicago, Illinois February 10, 1969

#### To Armour Stockholders:

General Host Corporation has now made its exchange offer to the stockholders of Armour and is proceeding to try to take over your Company. In essence, General Host asks you to loan it money to buy your Armour stock.

In making the exchange offer General Host purports to have improved the terms by including in the unit offered for each Armour share \$60 principal amount of 7% subordinated debentures due 1994 and 2½ (instead of the previously announced 1½) warrants to purchase General Host common stock at \$40 a share (instead of the previously announced \$45 per share). Also, General Host announced that the warrants would be changed to permit use of the debentures at principal amount to pay the purchase price upon exercise of the warrants.

Historically, a frantic use of the printing press cheapens the value of the currency issued. General Host already has a top-heavy debt structure, and would add up to \$265,000,000 more if 80% of the Armour shares are acquired in the exchange offer. There is substantial doubt as to General Host's ability to meet its interest requirements, including interest on the proposed debentures.

General Host now owns 16½% of Armour's stock, and the following table shows, on the basis of the pro forma figures in General Host's prospectus, the cash deficits which would exist if it were to acquire as much as 51% or 60% of Armour's stock.

#### FINANCIAL TABLE\*

	Percent ownership of Armour		
	51%	60%	80%
General Host profit bef a non-recurring extraordinary items for the 52 weeks ending October 5, 1968	\$ 3,111,000	\$ 3,111,000	\$ 3,111,000
Add-Dividends on Armour stock at 1968 rate (a)	5,538,000	6,515,000	8,687,000
Less—interest expense arising from acquisition of Armour stock (b)	(14,655,000) 2,143,000	(17,365,000) 2,143,000	(23,383,000) 12,346,000**
Add—Depreciation and amortization	(3,863,000) 4,296,000	(5,596,000) 4,371,000	761,000 4,534,000
Less—Repayment of long term debt	(4,044,000)	(4,044,000)	(4,044,000)
Cash (deficit) excess	(\$ 3,611,000)	(\$ 5,269,000)	\$ 1,251,000**

This table is for purposes of illustration and does not take into account changes which might occur in the future if General Host obtains control of Armour.

<sup>••</sup> If General Host does not obtain 80% or more of the Common stock of Armour, it will not be able to avail itself of \$10,203,000 of tax benefits that arise under certain provisions of the Internal Revenue Code. In that event the cash deficiency could approach \$8,900,000.

<sup>(</sup>a) Includes \$1,604,000 related to shares presently owned by General Host.

<sup>(</sup>b) Includes at 51%, 60% and 80% respectively, \$10,324,000, \$12,890,000 and \$18,593,000 interest expense on the 7% debentures proposed to be issued in exchange for Armour stock.

General Host's pro forma operations simply will not generate enough cash to meet its interest requirements unless it can ultimately merge with Armour. This can readily be understood when one considers that for every Armour share acquired General Host would receive only \$1.60 in dividends on the basis of the current dividends being paid by Armour but would have to pay out \$4.20 in interest on the \$60 principal amount of 7% debenture issued in exchange.

General Host states in its prospectus that it may find it desirable upon consummation of the exchange offer to propose a merger with Armour, or to dispose of a portion of the assets presently held by it or by Armour, and that if it is not able to obtain at least 80% of Armour stock so as to allow it to file a consolidated tax return with Armour under the Internal Revenue Code and thereby effect tax savings, General Host may find it necessary to increase the Armour dividend rate or incur new indebtedness or issue additional equity securities. Obviously, this is because, without such action, General Host's indebtedness, including the debentures, might otherwise go into default.

It appears highly unlikely that General Host can acquire the 80% necessary under the Internal Revenue Code for the consolidation of Armour earnings with General Host's for tax purposes, in view of the fact that more than 20% of the outstanding shares have already been tendered to or acquired by Greyhound Food Management, Inc., a subsidiary of The Greyhound Corporation, which offers cash for Armour shares as set forth below. There is no sourance, however, that Greyhound will retain the Armour shares acquired by it if General Host acquires more than 50% of the Armour shares.

General Host's exchange offer is now conditioned on its obtaining more than 50% of Armour. This means that any Armour shares which you deposit will be out of your control until General Host either obtains more than 50% or abandons its efforts. If anything less than 100% is obtained, you should weigh carefully the fact that Armour's cash flow and assets will not be available to service the debentures.

Please bear in mind that the General Host debentures do not restrict General Host from any additional borrowings, whether ranking junior or senior to the debentures, and that the General Host warrants do not restrict General Host from issuing common stock, or other warrants exercisable for common stock, at prices below the \$40 exercise price of the warrants being offered to Armour stockholders. The warrants being offered do not provide for any reduction of the exercise price in case General Host issues common stock or any security carrying rights to acquire common stock for cash, property or services, regardless of the purchase price received for such stock. The lack of any such protection in either the debentures or the warrants increases the completely speculative nature of these securities.

If and when market prices are quoted for the debentures and warrants, you should bear in mind that they may be stabilized prices in which event they may not be indicative of the true market value of such securities, since General Host's prospectus says that the brokerage firms which are acting as Dealer Managers of the exchange offer, or General Host itself, may during the offer effect transactions which stabilize or maintain the market price of the debentures, warrants, and common stock of General Host at levels above those which may otherwise prevail on the open market.

#### LEGAL ASPECTS

You should know, too, that the Securities Commissioner of the State of Illinois, where Armour has its headquarters and a large number of its stockholders reside, entered a temporary order prohibiting the making of the exchange offer in Illinois. This matter was being heard on its merits in Illinois on February 7, 1969 and after Armour presented its evidence, General Host asked for and obtained a post-ponement. The hearing was adjourned until February 19, 1969. In the meantime, the Illinois prohibition against the exchange offer remains in effect.

As you have probably seen in the newspapers, the Federal Court in Chicago refused the request of the Department of Justice to bar General Host from making the exchange offer despite the existence of the 1920 Packers' Consent Decree. No decision has been announced at this time as to whether the Department of Justice will appeal to the Supreme Court of the United States.

Your Company has brought an action in the Federal Court in New York to enjoin the exchange offer on the grounds that it is fraudulent and unfair to Armour stockholders, and to enjoin the Dealer Managers from purchasing Armour stock or inducing others to make such purchases on the grounds that such purchases violate the Federal securities laws. The Court has denied Armour's applications for preliminary relief.

You know that The Greyhound Corporation, through a subsidiary, has offered to buy at \$70 per share up to 2,500,000 shares of Armour stock in cash, which is an increase over Greyhound's original offer at \$65 per share. The Greyhound offer expires February 10, 1969, unless extended. We believe that this offer is worthy of your serious consideration and that cash in hand is worth far more than a speculative package of securities, the ultimate value of which is dubious.

You should know that I have tendered to Greyhound all of the Armour shares which I own and which are owned, directly or indirectly, by the Prince Trusts in which I am interested, aggregating approximately 499,000 shares including those obtainable by conversion of Armour's convertible debentures. I have agreed that these shares will be voted in the future as Greyhound may direct. Modestus R. Bauer, a director of Armour, has tendered to Greyhound approximately 100,000 Armour shares. Milton Steinbach, a director of Armour, along with his wife, and Wertheim & Co., in which he is a partner, have tendered to Greyhound all the Armour shares owned by them aggregating approximately 72,700 shares. In addition some, but not necessarily all, of Armour's other directors have tendered or may tender to Greyhound, or sell, all or part of their Armour shares.

Sincerely,

WILLIAM WOOD PRINCE

Chairman of the Board

February 10, 1969

JA14434/

DEFENDANTS' EXHIBIT NO. A-65:

ADVERTISEMENT, DATED FEBRUARY 2, 1969





## AMD SUOR

CHICAGO, ILLINOIS

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General Host Corporation has now made its exchange offer to the stockholders of Armour and is proceeding to kry to take over your Company. In

essence, General Host asks you to loan it money to buy your Armour stock. In making the exchange offer General Host purports to have improved the terms by including in the unit offered for each Armour share \$60 principal amount of 7% subordinated debentures due 1994 and 21/4 (instead of the previously announced 11/2) warrants to purchase General Ho common stock at \$40 a share (instead of the previously announced \$45 per share). Also, General Host announced that the warrants would be changed to permit use of the debentures at principal amount to pay the purchase price upon exercise of the warrants.

Historically, a frantic use of the printing press cheapons the value of the currency issued. General Host already has a top heavy debt structure, and would add up to \$265,000,000 more if 80% of the Armour shares are acquired in the exchange offer. There is substantial doubt as to General Host's ability to meet its interest requirements, including interest

on the proposed debentures.

General Host now owns 161/2% of Armour's stock, and the folio table shows, on the basis of the pro forma figures in General Host's prospectus, the cash deficits which would exist if it were to acquire as much as 51% or 60% of Armour's stock.

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General Host states in its prospectus that it may find it desirable upon consummation of the exchange offer to propose a merger with Armour, or to dispose of a portion of the assets presently held by it or by Armour, and that if it is not able to obtain at least 50% of Armour stock ao as to allow it to file a consolidated tax return with Armour under the Internal Revonue Code and thereby effect tax savings, General Host may find it necessary to increase the Armour dividend rate or incur new innnd it necessary to increase the Armour dividend rate of incur new indebtedness or issue additional equity securities. Obviously, this is because, without such action, General Host's indebtedness, including the debentures, might otherwise go into default.

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. Del vince toll Fines WILLIAM WOOD PRINCE Chairman of the Bord

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DEFENDANTS' EXHIBIT NO. A-67:

ARTICLE IN WALL STREET JOURNAL, DATED FEBRUARY 11, 1969

# Greyhound Lifts Armour Offer \$2 to \$72, Extends It; Wisconsin Bars General Host

A WALL STREET JOURNAL News Roundup

Greyhound Corp. raises its ante a second time—this time by \$2 a share—in the battle it is waging with General Host Corp. for control of Armour & Co.

Greyhound said it is now paying \$72 for each Armour share tendered.

The operator of bus lines, food and financial services also modified its offer to eliminate a provision which might have limited the maximum number of Armour shares it would accept under its tender offer to 2.5 million and extended the bld's deadline to 5 p.m. CST Thursday. Its previous offer had been scheduled to expire yesterday.

In another development, the Wisconsin Securities Commission barred General Host from making its rival offer for the big meat packer

in that state.

In trading on the Midwest Stock Exchange following Greyhound's announcement of the improved offer, Armour's common almost immediately rose to \$73.50 a share, where it closed, on volume of 22,600 shares. Armour had ended Friday on the New York Stock Exchange at \$72 and on the Midwest board at \$71.75.

Greyhound's announcement followed by only a day its statement that it was confident of gaining control of Armour based on its \$70 offer and therefore wouldn't extend it beyond yesterday.

A Greyhound spokesman said the decision to raise the offer and extend the deadline was made yesterday morning. Financial community sources said the extension would have been necessitated in any event by the East Coast storm which closed the New York exchange and left most major New York brokerage house offices and banks undermanned yesterday.

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Greyhound also said it will take all Armour shares tendered to it without restriction. Previously it had guaranteed to buy only "any and all shares" tendered up to a maximum of 2.5 million, but it had said it might elect to purchase more. If more than 2.5 million shares were tendered, but Greyhound elected not to buy more, it had said it would pro rate its acceptances on an equal basis among all tendering Armour holders.

Together with 500,000 Armour shares purchased by Greyhound on the open market, which weren't to be counted toward the 2.5 million objective, Greyhound's offer was aimed at acquiring at least 49% of Armour's 6.1 million outstanding shares. Greyhound has proclaimed, however, that it was seeking to control Armour.

Greyhound first announced its offer on Jan. 27 with a \$65 bid. General Host responded by raising its earlier offer and on Jan. 30 Grey-

hound went to \$70. General Host, following Greyhound's latest increase yesterday, said it has no intention of further boosting its offer.

"We consider our offer to be worth substantially in excess of their offer," Harris J. Ashton, General Host president, said in New York. "We are confident that a confident that

General Host has said it won't accept any Armour shares unless the tenders increase its holdings to more than 50%. General Host is offering to exchange \$60 principal amount of its 7% debentures and warrants to purchase 2.5 of its common shares at \$40 each for each Armour share or for each \$51.14 principal amount of Armour's 4.5% convertible debentures.

General Host's offer is scheduled to expire Friday, one day after Greyhound's.

Last Friday, General Host claimed control of about 40% of the stock Armour had outstanding as of Jan. 1. Greyhound has declined any comment on the extent of its holdings since disclosing that on Jan. 31 it had just over 20% of Armour. Greyhound, whose offer has the support of Armour's management and directors, was believed to have over a third of the shares as of last Friday morning, according to sources close to Armour and Greyhound.

As a result of the boost in Greyhound's offer, all holders who have previously tendered their stock to Greyhound will receive \$72 a share, a spokesman said.

Each time Greyhound has raised its bid for Armour, the price of Armour's stock in the open market has moved above the Greyhound offer. For example, after Greyhound offered \$70, Armour remained around \$71 most of the time until it moved up to \$72 last Friday.

Greyhound is believed to have made some open market purchases since it last disclosed its Armour holdings but the extent of such purchases isn't known. A flurry of buying at \$72 a

share on the New York exchange late last Friday had caused some brokers to suspect at the time that an improved offer from one of the contenders was in the works.

Armour has attempted to block or stall the General Host offer through legal actions brought in Federal courts in Chicago and New York and before at least three state securities commissions. Wisconsin's decision followed a day-long hearing held last Friday.

Thomas Nelson, Wisconsin's securities commissioner, said General Host's application to register its securities to be used in the offer to Armour holders was denied because it was 'unfair and inequitable to the Armour stockholders because the cash flow of General Host appeared insufficient to cover the interest requirements on the debentures that would be

outstanding if the exchange offer were success-

In addition, the amount of General Host debentures and warrants outstanding if the exchange were successful would be unreasonably large in proportion to other classes of General Host securities, Mr. Nelson said.

Wisconsin's action doesn't prohibit that state's Armour shareholders from tendering their securities to General Host, but does stop General Host from soliciting the stock in Wisconsin. Mr. Nelson said his information indicated Armour had 582 holders in Wisconsin owning a total of 42.750 shares, but the figures don't include Wisconsin residents owning stock in names of out-of-state brokers.

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### DEFENDANTS' EXHIBIT NO. A-68:

GREYHOUND NOTICE TO ARMOUR SHAREHOLDERS, DATED FEBRUARY 13, 1969

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Greghened Food Management, Inc. (Greyhound) will purchase without protetion all chares of Ameeur and Company Common Stock tendered to it prior to 5:00 P.M., Chicago Time, Thursday, F. brandy 13, 1959, at \$72.00 per chare not of commissions and transfer terce. All chares of Armon heretofore tendered are deemed to be irrevocably deposited and will be purchased at the increased price of \$72.00 per chare.

Greyhound Lines, Inc., an affiliate of Greyhound, has arranged to borrow approximately \$75 million under an existing credit agreement with a group of banks of which First Mational City Bank, New York, is acting as agent bank. These funds will be advanced to Greyhound as needed in connection with this offering. The credit agreement provides for repayment of amounts borrowed over a foungest period, if not renewed for an additional one-year period on any March 31 anniversary date; the interest rate to be poid is the prime rate in effect from time to time but increases to 14 of one per contiever such prime rate should the loan not be renewed for an additional one-year period, and is to be repaid over the subsequent four-year period.

The belence of the funds which will be advanced to Greyhound to finence the purchase of shares on the open market or the purchase of shares tendered (up to 3.6 million shares) will be (i) berrowed by The Greyhound Corporation under separate letter agreements with a number of banks with aggregated commitments by these banks totalling \$105 million at the prime rate in effect from time to time, plus ¼ of one per cent over the prime rate, (ii) berrowed through other lines of credit which The Greyhound Corporation will obtain under similar letter agreements, and (iii) obtained from The Greyhound Corporation's each on hand.

Greyhound has been advised by Lehman Brothers that any funds up to \$200 million necessary to purchase Armour shares tendered in encess of 3.6 million shares are released available.

The maximum cost to Greyhound of 3.6 million Armour shares will be \$251 \( \sigma\) million plus expenses estimated at \$2.5 million, and of 6.7 million Armour shares will be \$482.4 million plus expenses estimated at \$6.5 million.

Copies of Greyhound's revised offer dated January 31, 1969, and the related Lotter of Transmittel may be obtained from Continental Illinois National Bank and Trust Company of Chicago, 231 South LaSalle Street, Chicago, Illinois 69600; First National City Bank, 111 Wall Street, New York, New York 16015; Bank of America, N.T.&S.A., 1 South Van Ness Avenue, San Francisco, California 94120; or Lehman Brothers, One William Street, New York, New York, New York 16004.

Carrious Feed Changasser, Inc.

February 13, 1939

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Registration No. 2-31224

# SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D. C. 20549

#### AMENDMENT No. 1

to

### FORM S-1

### REGISTRATION STATEMENT

Under

THE SECURITIES ACT OF 1933

# General Host Corporation

(Exact name of registrant as specified in charter)

245 Park Avenue New York, New York 10017 (Address of principal offices)

WILLIAM F. DOWNEY, Esq.
Lovejoy. Wasson, Lundgren & Ashton
250 Park Avenue
New York, New York 10017
(Name and address of agent for service)

#### Copies to:

GEORGE M. DUFF, JR., Esq. Holtzmann, Wise & Shepard 30 Broad Street New York, New York 10004 LEWIS D. LOWENFELS, Esq. Goldfeld, Charak, Tolins & Lowenfels 711 Fifth Avenue New York, New York 10022

Approximate date of commencement of proposed sale to the public:
As soon as practicable after the effective date of the Registration Statement.

## CALCULATION OF REGISTRATION FEE

Title of each class of securities being registered	Amount being registered	Proposed maximum offering price per unit	Proposed maximum aggregate offering price	Amount of registration fee
Warrants Expiring January 31, 1979 to Purchase Common Stock at \$45 per share		\$58.50(1)	\$338,364,000(1)	\$ 67,673
7% Subordinated Debentures due February 1, 1994	\$347,040,000	)		
Common Stock (\$1.00 par value per share)	(0)	\$45(3)	\$390,420,000(3)	\$ 78,084
per sinare)	1	Total		\$145,757

 Based upon the low selling price of Common Stock of Armour and Company on the New York Stock Exchange on December 19, 1968 in accordance with Rule 457(e).

(2) Such indeterminate number of shares of Common Stock as may be issuable upon exercise of the Warrants registered hereunder.

(3) Exercise price of Warrants, in accordance with Rule 457(h).

Counsel has expressed no opinion with respect to the Federal income tax consequences of the Exchange Offer to Armour securityholders who are dealers in securities or are otherwise ineligible for capital gair or loss treatment or who are members of special classes of taxpayers, under special provisions of the Code. In addition, counsel has expressed no opinion with respect to the Federal income tax consequences to Armour securityholders of any original issue discount on the Debentures. There is no clear authority as to whether discount can exist where debentures are issued in exchange for common stock or other property rather than for eash. Under Section 1232 of the Code, no original issue discount would exist if discount is less than ½ of 1 per cent of the redemption price of the Debentures at maturity multiplied by the number of complete years to maturity.

For further information regarding the Federal income tax consequences of the Exchange Offer, Armour securityholders are advised to consult with their own tax advisors.

### Basis for Determination of the Exchange Offer

In arriving at the Exchange Offer, General Host has taken into consideration the relative financial positions and recent operating results of General Host and Armour and the businesses of each. Consideration was also given to the market values of their securities. None of the Debentures or Warrants to be issued in the Exchange Offer are outstanding and therefore there is no established market for them.

In August, 1968, General Host purchased 150,000 shares of Armour stock from Gulf & Western Industries, Inc. ("Gulf & Western"), and received an option from Gulf & Western to purchase an additional 600,000 shares of Armour. General Host paid \$56 per share for the 150,000 Armour shares and issued to Gulf & Western a ten-year warrant to purchase 175,000 shares of General Host's Common Stock at \$30 per share. The number of shares subject to the warrant have since increased to 184,146 and the warrant exercise price has been reduced to \$28.51 per share pursuant to the antidilution provisions of the warrant. In October, 1968, General Host exercised its option and purchased the 600,000 shares of Armour from Gulf & Western at a price of \$60 per share. Subsequently, General Host purchased an additional 252,500 shares of Armour stock in the open market at varying prices which averaged \$58.74 per share. Presently General Host owns 1,002,500 shares of Armour stock representing approximately 16.5% of the total outstanding.

#### Antitrust Aspects

On January 21, 1969, General Host won complete dismissal on the merits of a legal action instituted the day before by the Department of Justice in the United States District Court for the Northern District of Illinois. This action had sought to enjoin General Host from proceeding with the Exchange Offer or from otherwise acquiring additional shares of Armour stock. It had been based upon the theory that a 1920 Packers' Consent Decree which resulted from an earlier lawsuit against Armour (United States v. Swift and Company, et al.) is or could be made applicable to General Host Corporation. The Federal Court rejected this theory and held that this Decree does not forbid acquisition by General Host of a controlling stock interest in Armour. Although an appeal of this decision could be made to the United States Supreme Court, the Department of Justice has not indicated whether it will appeal the decision.

To resolve this matter, if any Department of Justice appeal is successful, the Company may find it necessary or desirable to dispose of all or a part of its currently operating businesses or all or a part of its stock in Armour. Any disposition by General of any portion of its assets would be made only to the extent that management, upon advice of legal counsel, deems appropriate in the light of any decision that may be made by the Supreme Court if the matter is reviewed by it. To the extent that under such possible circumstances General Host may dispose of any of its assets, the pro forma capitalization table and financial statements contained herein might not be representative of the Company's operations. While it is impossible to predict to whom, when, and at what price, favorable or unfavorable, any such possible disposition of assets may be made, or what utilization would be made of the proceds of any such possible disposition, it is the opinion of management, based upon a present valuation of the Company's operating businesses, that any such possible disposition under present circumstances would not have a material adverse effect upon the Company's financial position.

#### Other Aspects of the Exchange Offer

General Host reserves the right in its sole discretion, (a) to make offers subsequent to the expiration of the Exchange Offer for shares of Armour Common Stock or for Armour Debentures on a cash or exchange-of-securities basis or a combination thereof, by merger, or otherwise, which offers could differ in terms from the Exchange Offer described herein; and (b) prior to the date the Registration Statement becomes effective, to enter into firm arrangements for the acquisition of Armour Common Stock or Armour debentures by purchase in the open market at prevailing market prices or through negotiated purchases, or by concluding arrangements for the sale and delivery of securities, including the Debentures and Warrants (subject to necessary shareholder approval and approval of counsel as to certain legal matters), to the sellers of any such Armour Common Stock so acquired.

The acquisition of a majority of the Common Stock of Armour will be accounted for as a purchase. Price Waterhouse & Co., the Company's independent accountants, have reviewed the foregoing accounting treatment and approved it as being in accordance with generally accepted accounting principles.

The proceeds to General Host from any exercise of the Warrants will be used for general corporate purposes, which may include improvement or expansion of existing facilities, acquisition of new facilities or businesses, or retirement of debt.

#### Information Concerning Armour

See Annex A to this Prospectus for information concerning Armour and the financial statements of Armour. General Host has requested information from Armour for use in connection with the Exchange Offer. To date Armour has declined to supply such information except for its annual report to stockholders and has declined to authorize its independent accountants to furnish General Host with signed opinions or consents. Consequently, except as otherwise indicated, all information relating to Armour, including but not limited to financial statements and statistical material, is based upon published information, including information filed with the Securities and Exchange Commission. Such Commission does not approve, disapprove or pass upon the accuracy of such information. Except as stated herein, the latest such information included was, as to audited financial statements, as of and for the year ended November 2, 1968 and, as to non-financial data, that information available at January 20, 1969. Except as stated herein, any other information regarding Armour was either not available to General Host or available only at the cost of unreasonable effort and expense. Although the information concerning Armour has been taken from public records and other sources believed by General Host to be reliable, General Host cannot warrant the accuracy or completeness of the information concerning Armour contained herein or that events, unknown to General Host, have not occurred which would affect the significance or accuracy of such information. If Armour releases signific at days differing in material effect from that presented herein before or during the course of the Exc. age offer General Host will amend or supplement this Prospectus.

# EFFECT OF EXCHANGE ON ARMOUR STOCKHOLDERS WHO ACCEPT OFFER

Armour has been paying dividends on its Common Stock at an annual rate of \$1.60 per share during its last 17 fiscal quarters, and Armour's net annual per share earnings during the years 1964-1968 were only \$3.70, \$2.51, \$(0.04), \$2.61 and \$1.30, respectively. There would be \$4.20 in annual interest payable on the \$60 principal amount of General Host 7% Debentures proposed to be exchanged for each Armour share.

The per share book value of Armour (undiluted) at November 2, 1968 was \$39.23. Under the Exchange Offer, \$60 in principal amount of Debentures would be exchanged for each Armour share.